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With The Editors

Do Insiders Know?

CONSIDERABLE interest is always attached to the figures released by the S E C showing purchases and sales of their companies' stocks by officers, directors, and large holders. The feeling is that these people should know what they are doing, should be in perfect position to anticipate earnings trends in their own particular enterprises at least, if not for the market as a whole. By the time the information is available a good deal of water may have passed under the bridge, and the opinions implied may have changed radically, but the transactions of "insiders" remain one of the best indications of business psychology.

This is particularly true as applied to June—the month the market broke out definitely and spectacularly on the upside. Since then break-out practically all business indices have turned upward. What was the opinion of the "insiders" as shown in their stock transactions at the time of the turn?

There were scattered purchases, but the great bulk of large transactions in important issues were sales. This was so not only in the first twenty days of the month, before the market moved up, but in the last ten days as well. Such stocks as Johns Manville, General Motors, Woolworth, Deere, Stone & Webster, Sears Roebuck, and many others came into the market from informed quarters just before the rise and during its early stages. So far the inside sellers have been wrong, and the comparatively few buyers among directors and officials of DuPont, U. S. Rubber, American Metal and others have been right.

The picture is not complete, however, without an idea of the size and relative importance of the sales. Two of the largest transactions, for example, were the sale of 10,000 Woolworth and the sale of 11,709 Master Electric, a Curb stock. The block of Woolworth represented slightly over one-tenth of one per cent of the company's total capitalization; the Master Electric amounted to over five and one-half per cent of the stock outstanding. From another angle, the liquidation in Woolworth barely exceeded 2 per cent of the holdings of the director who did the selling—hardly a sign of desperate bearishness.

Reports to the S E C which were delayed for one reason or another will be released later this month, and it is conceivable that they will show an opposite trend. The fact remains, however, that the majority of "insiders" failed to see business or market improvement ahead, and failed to give adequate weight to the market rise when it began. The liquidation was only of the dribbling sort, continuing a trend in effect for many months, but its existence, however slight, contains a surprise for those of us who would surround business leaders with a halo of market omniscience. Perhaps the report on July transactions will show a change of view. Whether it does or not, "insider" instinct has slipped a notch in its rating.

★ ★ ★ IN THE NEXT ISSUE ★ ★ ★

Appraising Fall Election Possibilities and Effects
By RAY TUCKER

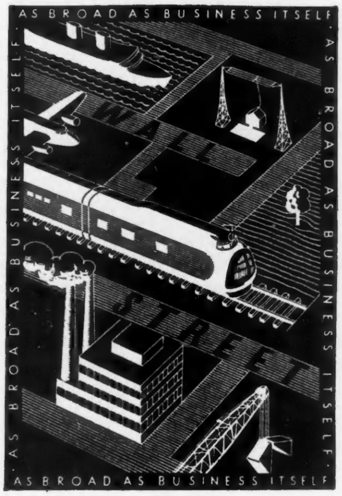
Mid-Year Dividend Forecast
Part III—Oils, Metals, Merchandising Aviation and Others

Nesmith

Under the combined stimulus of increasing motor traffic and governmental efforts to make work, road construction, with its huge potentialities for absorption of labor, raw material and equipment seems destined for still higher levels. The peak of 140 million square yards reached in 1929 may soon be surpassed.

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

FINANCING RECOVERY . . . In urging banks to lend more freely Government officials tend to over-emphasize the role that commercial loans play in the business cycle and to under-emphasize the importance of long term capital investment. Moreover, in its relations with the banking system, the Government is constantly working at cross purposes. One set of officials—headed by Mr. Jones of the R F C and Governor Eccles of the Reserve Board—put stress on credit expansion. But the Treasury, the F D I C and the Comptroller of the Currency put first emphasis on banking safety. Whatever their personal inclinations, bankers inevitably will follow conservative policies for the simple reason that the banking laws and the bank examiners are on this side.

Banks cannot safely provide long term investment capital in more than relatively minor ratio of assets. The great bulk of expansion of capital facilities has always been financed by reinvestment of surplus business earnings and by open market security financing. These sources of expansion capital may be considered as the primary motive power of the profit system. Call them the private pump primer, if you will—for which we now have the partial substitute and supplement of Government pump priming. Short term bank loans may be likened to the lubricant which greases the business wheels.

Commercial loans usually follow business activity upward, rather than precede the business rise. More business activity makes more commercial loans, rather than the reverse. In recent years the lag between the course of such loans and the business trend has greatly increased, partly due to the fact that huge amounts of Government money, filtering into the hands of business men, reduced the need for banking accommodation. From the start of the New Deal to August, 1935, bank loans steadily declined. They began to increase only as business activity reached a fairly high level. Moreover, their continued increase to September of last year did not prove a bullish omen. A more accurate indication of what lay ahead had been given many months before by the bond and stock markets and the downward trend of bank investments. We need not worry over the present low level of bank loans. Bank investments are rising and will rise faster as New Deal deficit financing gets into full swing. New capital financing by corporations has shown a very heartening revival in recent weeks and more is in the immediate offing. The rise in banks' loans will come in due time and probably fairly late in the recovery cycle.

STERLING DROPS, GOLD RISES . . . Feverish demand for gold bullion and coins in all free European markets, with simultaneous decline of the pound sterling relative to the dollar, has brought forth the usual flood of rumors—rumors of stabilization at new levels, of re-

vision of the tripartite agreement and what not. Practically all of these conjectures have been advanced before in similar periods of international monetary excitement.

In these days of secret monetary management one would be foolhardy to laugh off any rumor. Nevertheless the main causes of renewed European gold hoarding and of pressure on sterling seem fairly obvious—that is, increased war fears in all the foreign capitals and the deterioration not only of the British trade position but of the entire sterling bloc of nations relative to the American trade position.

By common consent, this month of August is accepted as the crucial period that probably will either find Europe plunging into major war or postponing the debacle for a considerable time, leaving us relatively well off with merely the unofficial wars now engaging, in various degrees and at different places, only Spain, Italy, Germany, Russia, Japan and China. The recent somewhat mysterious but widely publicized doings of the Russian and Japanese troops along the Siberian border have naturally increased European alarms. Gold being the ultimate refuge for capital, there is increased bidding for it. As the price rises the gold price of sterling declines, and with the dollar tied to gold at $35 the tendency is toward a lower value for sterling in terms of dollars. Whether this is a greater depressant than trade factors is debatable. But whatever the principal cause, the pound is close to its old parity of $4.86 which gives Britain every incentive to foster lower levels for those products which she buys and uphold those which she sells. With the price of world commodities being largely influenced by London, we have perhaps one of the reasons why cotton, wheat and corn have shown recent weakness while rubber, tin and others are well sustained.

LABOR-BUSINESS COOPERATION . . . In matters involving adjustment of wages, hours or working rules, industry can expect no great amount of cooperation either from the conservative labor unions—such as the railroad brotherhoods and groups identified with the A. F. of L.—or from the C. I. O. organizations. As a practical matter of labor politics, all union leaders must fight for highest possible wages, shortest possible hours and working rules most advantageous in the eyes of their dues-paying followers.

Nevertheless it is perhaps an encouraging sign of the times that at least some labor leaders see pretty much eye to eye with business men on at least some *general* problems of national concern. This is particularly true of A. F. of L. leaders. Thus we currently hear Mr. Matthew Woll, an A. F. of L. vice-president, expressing the public view that labor has more to fear from Big Government than from Big Business, although he holds no brief for the latter. Swollen budgets and mounting taxation, he says, represent a trend dangerous to labor as well as to business. In the same address, Mr. Woll frankly concedes that the Wagner Act is entirely a one-sided law and advocates its early amendment.

Generally speaking, the A. F. of L. and rail unions are politically conservative, as compared with the C. I. O., but the term is merely relative. All three groups have powerful lobbies at Washington. All three lobbies have persistently and successfully sponsored group legislation the sum total of which is to extend paternalistic government and further the trend to Big Government. As long as none is willing to forego applying its own special pressures upon Washington in furtherance of its own ambitions and objectives, talk of halting the expansion of governmental powers over our economic system has no great significance.

SPECULATIVE INVESTMENT . . . A recently quoted letter from a London broker to a New York friend expresses optimism on the American outlook but remarks, somewhat wistfully, that buying of both American and British securities by his clients is of a much more speculative type than formerly. Increasing government interference in business, vast government spending, world-wide political unrest and ever-present fears of war have turned Europeans into speculators, rather than investors, he says. Few of his clients, "who mostly pay for their securities, expect to hold them long, and whereas such purchases were often enough made with an eye to income over a period of years today it is in the hope of making a profit in a few months."

The change in investment attitude is not confined to Europe. Our favored position, as compared with the rest of the world, is only relative. There is less investment uncertainty here than in Europe, but much more than we formerly were confronted with. The tempo of our political, social and economic evolution has speeded up. We once took for granted a fairly clear road to ever greater prosperity. Now few dare guess beyond a few months ahead. Huge Government borrowing of manufactured bank credit means cumulative inflation—but simultaneously at work are the deflationary factors of mounting taxation and increasing political regulation.

Whatever the balance between inflationary and deflationary forces, investors today must make their calculations in an atmosphere more speculative than in days gone by—an atmosphere of long range uncertainty, instability, change. Regulation of markets and credit have greatly reduced margin speculation, but more fundamental changes have increased cash speculative-investment and greatly shortened the perspective from which investors appraise securities. Perhaps that is one reason why "the sudden and unreasonable fluctuations of security prices"—mentioned in the preamble to the Securities Exchange Act of 1934—are still with us. Indeed, fluctuations tend to become more "sudden" than formerly. Whether they are "unreasonable" or not will be answered only as the future unfolds.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 488. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday August 8, 1938.

As I See It!

BY CHARLES BENEDICT

THE BATTLE BETWEEN RECOVERY AND REACTION

OUR economy is now in a crucial phase—a sort of tug-of-war between the forces of recovery and reaction—waiting realistically for definite signs of a real upswing while cautiously scanning the political horizon.

Can business be retarded?—Is the upsurge too strong to be stopped?—What of the market?—What of prices?—What effect wars?

These are the questions that business men everywhere are asking themselves today, not only of the known quantities, but of the unknown quantities both domestic and foreign.

On the one hand, most of the world is at war, or preparing for war. The raw materials, labor, and the means of production are being wasted in the manufacture of implements of war rather than in creating more wealth for the people. In addition, this situation is producing a dislocation of commerce which will be increased if England and France become involved intensively.

But, already the three aggressor nations, Japan, Italy, and Germany are weakening. Events move swiftly—the various developments frequently producing results not contemplated.

The spread of destruction in China has also spread new economic and social ideas. It has awakened and aroused vast hordes of people that have been asleep for hundreds of years. Therefore when the Japanese offensive collapses there will remain a task of rehabilitation, of re-establishing a standard of living where it has declined, and raising the standard of others for the first time. It should keep that part of the world busy for a long period.

In the past, England would have done the necessary financing for this great task. Will we do it this time? We have the resources, the confidence inspired by 13 billion dollars worth of gold, and the government has set up the machinery in the Import-Export Bank.

Gendreau

Again, in Europe it is evident that Italy and Germany are both receiving severe setbacks on the diplomatic front. Here the war scares, war activities and nationalistic policies have also impoverished the people and lowered their standard of living.

Peace and sane political readjustment would once more make Europe as busy as a beehive in rehabilitating and re-establishing itself. Who will do the financing here? It is we, who have the funds and resources. Those of us who are realistic know that laws can be changed—that ways can be found.

At home—the peace in our hemisphere during the World War and since has brought great progress to the Americas including the United States. More than that, we have the materials and the markets in which to sell these products. We have absorbed the speculatively built productive capacity of 1929. We are ready for extensive expansion.

In spite of only a slight pickup in the automobile industry—moderate improvement in construction and steels, the level of industrial production is three quarters of the way back to normal. New and dynamic industries are taking up the slack and forging ahead, filling the needs of today. The aviation industry alone holds great potentialities for absorbing metals and other raw materials. It is still in its infancy, cutting its teeth on the demands for war and defense.

As a nation we have been going through an experimental period of economic and very severe political readjustment. Much good has resulted, in spite of the hardship of following unfamiliar ways. But we are a resourceful people. The swiftness of the recent rise from the depths of depression has knocked fear a body blow—released our initiative and thus started us on the upgrade. New enterprise is being undertaken. Determined men are

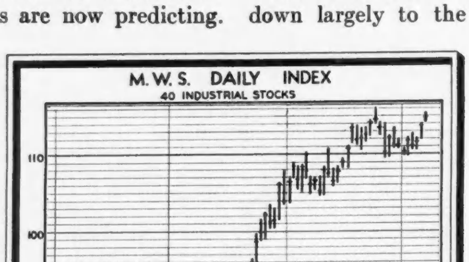
(*Please turn to page 544*)

What's Ahead for the Market?

BY A. T. MILLER

If the fast market rise since June 18 be compared with the sensational boomlet of the spring of 1933, the rational conclusion would be that severe reaction is in the making. If, however, we compare the movement with the sustained bull market which got under way in the spring of 1935, the conclusion would have to be that purely technical correction—apart from any unexpectedly disturbing news event—should be more moderate than most bearish observers are now predicting.

No two market recoveries are ever precisely alike in all details, but on the whole the present setting seems to us more similar to that of early 1935 than the spectacular but abortive upturn of April-July, 1935. The four-month rise in 1933 occurred in a highly speculative atmosphere in an unregulated market, the Securities Exchange Act not being adopted until 1934. It was accompanied by a fast increase in brokers' loans and subsequent cancellation of half of such loan expansion in an intermediate reaction which eventually wiped out approximately 47 per cent of the spring-summer advance.



In contrast, the sustained two-year recovery from March, 1935, to March, 1937, was an investment phenomenon, accompanied by no significant increase in the margin position; and in the entire movement there was but one intermediate reaction and it amounted to only 11 per cent in the industrial average.

With respect to initial speed, the recent performance *does* look like that of 1933—but only in that respect. Thus far the advance has been financed predominantly by cash buying, as the static trend of brokers' loans infallibly shows; and even in temporary interludes of speculative doubt or indecision there is visible the same kind of insistent investment demand for gilt-edged bonds and the top-rank preferred and common stocks as was seen in the 1935-1936 "one-way" market.

Regardless of whether we have started a sustained bull market on the general order of the 1935-1936 pattern, it is, of course, not to be expected that the recent rate of advance can be long maintained. Of the total net gain to date about 70 per cent had been achieved by the start of July. If averaged out by weeks, the advance to date would figure about 4 points a week in the industrial average, or more than four times the average weekly rise between March low, 1935, and March high, 1937. At this rate we would be back to the bull market peak in another three months. Hence the logical alternatives appear to be either a marked flattening out of the angle of ascent very shortly or some degree of reaction.

The case for substantial technical reaction boils down largely to the following questions:

Has the market over-discounted the business outlook in sufficient degree to make it seriously vulnerable?

In the absence of speculative excess and without a change of investment opinion as to the major trend, how much reaction can logically be expected?

Sane answers to these questions necessitate objective examination of the primary financial, economic and governmental factors now operative. Stocks went down less in the recent bear market than was generally expected and went up more in recent weeks than was generally expected. Why? Several possible reasons seem most important to us—first, a business outlook more promising than is superficially evident; second, the beneficial or potentially beneficial effects of recent changes in the capital gains and undistributed profits taxes; third, the cumulative inflation factor; fourth, increased confidence in the political outlook; fifth, the demonstrated tendency of a regulated market to become a "one track" market. Let us briefly examine each of these in order.

1. Business activity today is but moderately under the lowest level seen in the spring of 1935. Contrary to the general impression that recovery to date has been slow, the advance in the Reserve Board's adjusted index of industrial production since May—and in our per capita business index—has been comparable with the average pace of advance in 1935-1936. Continuation of the unspectacular and non-speculative business trend of June-July would require only some nine months to carry us back to the level of early 1936.

For sustained recovery in the present setting reliance must be placed on Government spending, consumer spending and business spending. With respect to each

The longer economic outlook is increasingly favorable. We recommend selective, scale-down accumulation on reactions. In our view, technical correction of the recent advance should not importantly violate the 105 level of our industrial index.

of these sources of economic stimulation, powerful forces for recovery are present. At least for the next twelve months, the Government's borrowed contribution to national purchasing power will be comparable with the monthly average during the initial New Deal reflation program. Neither consumption nor consumer purchasing power suffered a decline in the recent depression remotely comparable to the nose-dive in industrial output. Accepting the most recent monthly estimate of national income by the Department of Commerce, public purchasing power today appears only slightly under the average of 1936 and above the average of 1935. In this respect and in certain others—notably relatively favorable trend of construction—it has been accurate to call what happened a "recession" rather than a depression. Both public purchasing power and the willingness to spend are now increasing. A straw pointing significantly in this direction was the 12 per cent July gain, over June, in retail sales of Ford and Chevrolet cars, a striking performance in comparison with normal seasonal decline of about 7 per cent for this period.

As for business spending and investment, the current evidence suggests that orthodox private financing probably will supplement Government pump priming more promptly and largely than in the first New Deal recovery. Pointing this way is the promising revival of new capital financing in June and July and the fact that more of the same is in the early offing.

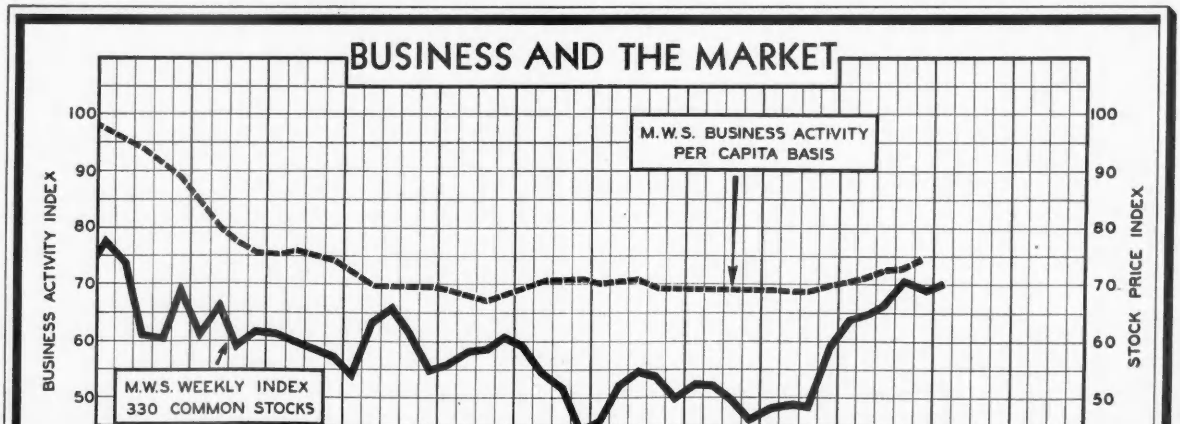
2. The constructive changes made by the last Congress in the capital gains and undistributed profits taxes tie in with increased financial and business confidence. They tend to encourage long term investment.

3. The cumulative inflation factor is inherent in the long and continuing series of Federal deficits. Even conservative investors are more common-stock minded today than they were a decade ago or five years ago. Increased popularity of equities, reflected in percentage of stocks in the average investment portfolio, tends somewhat toward a scarcity market, once the major trend turns upward.

4. Business men and investors observe that six years of political experimentation have not yet ruined us, probably believe that the most radical phases of reform are now behind us and apparently have become convinced that there is more profit in "playing ball" than in vainly waiting for completely clear skies. Results of the primaries to date appear to justify hope of a generally more conservative and independent Congress.

5. The tendency of regulation has definitely been to make for more sustained market movements, and more violent movements than formerly. This was demonstrated in the 1935-36 bull market. It was demonstrated in the August-October slump last year by the small scope of the technical rallies. It has been demonstrated again on the upside since June 18.

On the whole we rather doubt that any purely technical market correction—surprise bad news from Europe or elsewhere being a wholly different matter—is likely to exceed one-third of the advance since June 18. That conjectural limit is around 105 in our daily industrial index. In recommending selective commitments for longer term purposes, we suggest that the scale-down buying technique is a sensible guard against either "missing the boat" or buying too much too soon.



√ Raw Material Prices Are Rising

√ Finished Goods Trend Lower—

What of Profit Margins?

A Realistic Appraisal of Conflicting Forces

BY HENRY L. BLACKBURN

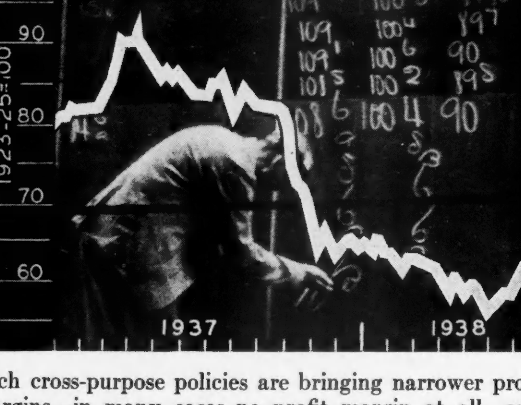
THREE months ago rubber was selling for 11½ cents a pound: today it is 16 cents. Over the same period lead is up from 4.35 cents a pound to 4.75, zinc from 4.15 cents to 4.75, tin from 35 cents to 43. Hides are up between 2 and 3 cents a pound and copper, which within the past three months sold as low as 9 cents, is now above 10. Scrap steel at Pittsburgh has soared from $11.75 a ton close to $16 a ton. Indeed, with the principal exception of cotton and the various grains the price of which has been held down temporarily by large supplies pressing on the market and by weakness in the pound sterling, quotations for raw materials have been strong and from present indications will work higher.

In the face of this, it is something of a surprise to find the big mail order companies issuing catalogs for the fall and winter with prices averaging 8 or 9 per cent lower than the spring and summer books and that retail prices generally have as yet shown no real disposition to advance. Also, we find farm equipment and machinery companies lowering prices. Caterpillar Tractor appears to have been the first of the large companies to move in this direction. In June Caterpillar announced price reductions on tractors ranging from $150 to $650 and on diesel engines reductions ranging from $175 to $750. More recently, International Harvester announced something closely approximating a one-cent sale. Purchasers of a "Farmall 12" tractor in the months of July and August are to receive free any one of six implements which customarily sell for about $100. Then, it might be noted that the first automobile company to announce prices on next year's models has made reductions and it is being generally assumed that this establishes a precedent for generally lower car prices next year. One could go on and cite further instances of price reductions in the machinery field: in addition which the market for household equipment and apparatus has been anything but strong.

Possibly, however, the strangest case of price discrepancy is to be found in the steel industry. Despite an unprofitable rate of operations, higher prices for scrap and with costs generally high and more-or-less rigid, the industry has just put into effect drastic reductions on almost every important steel product. Moreover, a daily dither runs through the industry when further cuts are rumored.

The present Administration, of course, still stands for higher prices for producers of raw materials and lower prices for those who produce finished goods. It is apparent, however, that the present situation is an impossible one. One cannot wage a successful war on "monopoly," basing point systems and price-fixing generally, impose a constantly mounting tax burden, be utterly opposed to wage reductions and at the same time insist upon higher prices to those that produce raw materials.

Raw Materials



Such cross-purpose policies are bringing narrower profit margins—in many cases no profit margin at all—and, assuming that the capitalistic system is to continue, something must give way before long. The break will come in the price of finished goods: these, though tem-

porarily in a downtrend will reverse and follow raw materials upwards.

The background is such as to make this inevitably so. From the monetary standpoint it is decidedly inflationary. The budget again is whoppingly out of balance and every dollar borrowed by the Government over and above its revenues—quite artificially, of course—adds to purchasing power. For a while at least it seems politically impossible that fiscal sanity can be made to return to Washington. Now, it is true that monetary tinkerings, whether of the credit structure or the currency, usually act first upon the more sensitive raw materials, nevertheless their effects are exceedingly broad and are not in the long run escaped by consumers goods or services. Thus, one may expect to become operative shortly a powerful force tending to raise *all prices*.

Another point leading to the same conclusion is that business improvement by itself, and without benefit of monetary factors, tends to raise prices of all kinds. Possibly it may be said that previous pump-priming programs have had as their primary objective the raising of prices, but the present one has been embarked upon

Finished Goods

Fairchild's Index.

with the specific intention of bringing about a recovery in business. One can point out that such stimulation is not likely to be lasting and that the current waste of Federal funds makes it certain that there will be grave problems some time in the future, but similar spending tactics worked once, for a while, and there is no reason to suppose that they cannot succeed temporarily a second time. Hence, the valid expectation of business improvement this fall and next year is another reason for expecting a generally rising price trend.

Effects of Rising Taxes

Nor must one forget the effect of rising taxes and other items of cost. It may be true that the Government budget is hopelessly out of balance, but this does not alter the fact that more money is being raised by public bodies today than ever before in the history of the country. Possibly for a while taxation on corporations can be taken from the pockets of those who own the business, but in the long run it must inevitably be covered by the price of the product. Exactly the same may be said of rising wages. The fixation of minimum wages by the Government is surely going to tend towards higher prices for finished goods and to this extent works against the Government's own policies of keeping such prices down.

So far as the profits are concerned of those who turn out finished goods, it becomes a question of whether the various methods of "control" can hold prices to the consumer down in the face of the forces operating in the opposite direction. Or, rather it is a question of how *long* the present situation of narrowed, or non-existent, profit-margins can exist. It is our opinion that before the end of the present year a firming tendency in finished goods will be discernible and that there will be a series of sharp increases in 1939.

Although from this it would follow that no great betterment in business profits can be expected before next year, it does not preclude the possibility of making some progress in the meantime. Higher raw material prices and lagging prices for finished goods unquestionably make for a narrower margin of profit, but there is at least the advantage that the former tend to reduce, or even eliminate, inventory losses. Those of the big rubber companies, for example, which make mid-year inventory adjustments would have made a sorry showing had not the price of rubber staged an almost sensational recovery in the latter part of June. To some extent lower prices for raw materials make inventory problems for every manufacturer and higher prices lessen them.

Some Progress Expected This Year

Then, too, even though it does result in no remarkable examples of earning power, progress over the balance of the year is possible through increased activity. It is known, for example, that the combination of higher raw material prices, apparently fixed labor costs and the drastic reduction in the price of finished steels, makes the majority of corporations in this industry decidedly unprofitable at their present operating rate. The story, however, would be quite a different one were the operating rate to rise from, say, 40 per cent of capacity to 60 per cent. If the operating rate were to go higher than this, earnings probably would be surprisingly large when one considers the handicaps under which the industry currently struggles. Certainly the results would be surprising if, under these conditions, prices of finished steel over the next few weeks regained some of the ground they have recently lost. And, indeed, this is not unlikely to happen.

Matters vary tremendously, of course, from one company to another but in conclusion it may be said that those which are currently suffering from narrowed profit margins and a relatively low rate of production are passing through, or have even seen, the worst. From the standpoint of the prospective stockholder the implications are clear. It means that he cannot possibly judge the value of a security on the basis of what is being earned at the moment, or even on the basis of what is likely to be reported for the third quarter. Many have missed the recent rise in the market because of failure to realize that a high ratio of price to earnings is not applicable to a situation where forces are in motion but whose effects have not yet been felt.

A New Age in Agriculture

Science Industrializes the Farm

BY L. F. LIVINGSTON
Manager, Agricultural Extension Division,
E. I. du Pont de Nemours & Co.

To look into the future and attempt to describe the farm of tomorrow requires more valor than discretion. However, this one thing seems certain to one peering through the fog of many policies and the conflicting conceptions of agricultural progress. *The farm of the future will be chemically controlled.* Indeed, it is not too fantastic to imagine that on the farm of the future the small chemical laboratory will be as common a sight as the silo is today.

Fundamentally, agriculture is a chemical process, presided over by Mother Nature, who combines certain chemicals derived from the soil and makes carrots and apples and trees. The agricultural scientist will in the future, as he has in the past, find means of hastening the natural processes in order to simplify production, reduce waste and adapt the harvest to meet the everchanging requirements of the consumer.

Such has been the pattern of agricultural progress for generations, and such it is likely to be in the future, with no great variation.

Agricultural progress is being accelerated by such factors as an active public interest, by the presence within the industry, increased each year by thousands, of young graduates of agricultural colleges, and by a wider recognition of the fact that research can solve the problems of the farm just as it does those of the manufacturer.

Application of the facts developed by research point the way to the goal of higher quality and lower production costs. The rate at which this research progresses is the determining factor in the time required to reach this goal. Financial support is today increasing that rate.

One of the most spectacular of the recent chemical developments is the growing of plants without soil, a process which may be called "Tank Farming" or Hydroponics." This is no new discovery. For 75 years scientists have been studying the natural laws of plant growth from plants grown in water containing nutrient salts, but it is only recently that tank farming has been placed on a commercial scale by a few scientific men.

The fact that tomato and tobacco plants grew to giant size under such conditions caught the popular fancy, and imagination began to picture pantry gardens, roof-top fields and the extinction of the plain dirt farmer with his tractors and plows.

"Developments are coming out of research that cause one to rub the eyes. Hundreds of synthetic materials as good or better than the natural product are now in common use, and their number is increasing daily. Most of these are developments of the organic chemical industry, and the farmer is being asked to produce the raw materials for them."

It ill becomes any one who can remember when the usefulness of the motor car was doubted by all but a few, and when any one who seriously entertained the idea that man could fly on man-made wings was the object of derision to set a limit to the possibilities of anything. It does seem, however, that the dirt farmer is safe, at least for a while. The heavy outlay for proper equipment and the intricacies inherent in the process would appear to limit tank farming for the present to the growing of certain special crops for the out-of-season market, and for the growing of food in places where temperature, light and humidity conditions are favorable but where soil is lacking.

Those who are today successfully operating tank farms on a commercial scale are experts familiar with the technique of regulating precisely and unerringly the environmental conditions in which the plants are grown. They know the exact requirements of the crops at all stages of their growth and are able to make the delicate replacement adjustments necessary for keeping the correct nutrient balance in the growing solution. In other words, they are specialists, gathering a specialized harvest.

Extensive experiments now going on in this field will certainly iron out many of the difficulties which now must be met by the tank farmer. Perhaps the future

will develop enough practical technicians so that the dirt farmer will set aside a portion of his farm for the growing of certain of his crops in nutrient solutions rather than in the soil.

Undoubtedly there is already a definite place in agriculture for tank farming. Vegetables can be and are being raised to meet the top-price market. Fresh vegetables can be furnished in places where they were unknown before. A perfect example of the latter case is at Wake Island in the Pacific Ocean, where it is said that tank farming is already being developed. There prevails at that place a tropical climate, but no soil. Progress in aviation has made it necessary for man to live there, and progress in agriculture will make life there far more comfortable.

Extensive experiments in the science of plant pathology and soils chemistry are in progress which may lead to little-dreamed-of improvements in growing technique. It is known that even now plants can be produced nearly to order by varying their diet, and it is indicated that manufacturers will be able to specify, and farmers produce, raw materials peculiarly adapted to their intended use. The pathological work on Tung trees indicates the production of nuts with a far superior oil to that now obtained from China. Soybean oil can replace 25% of linseed oil in paint, but research may soon produce a bean, the oil of which will replace linseed entirely.

Physicians will be able to prescribe and their patients obtain, foods specifically adapated to their special physical needs. Vitamin A content of eggs can be increased 500% through feeding cereal grass cut at first jointing. Levulose sugars for diabetes patients are now made from Jerusalem artichokes and common dahlias. Vitaminized milk and bread are common.

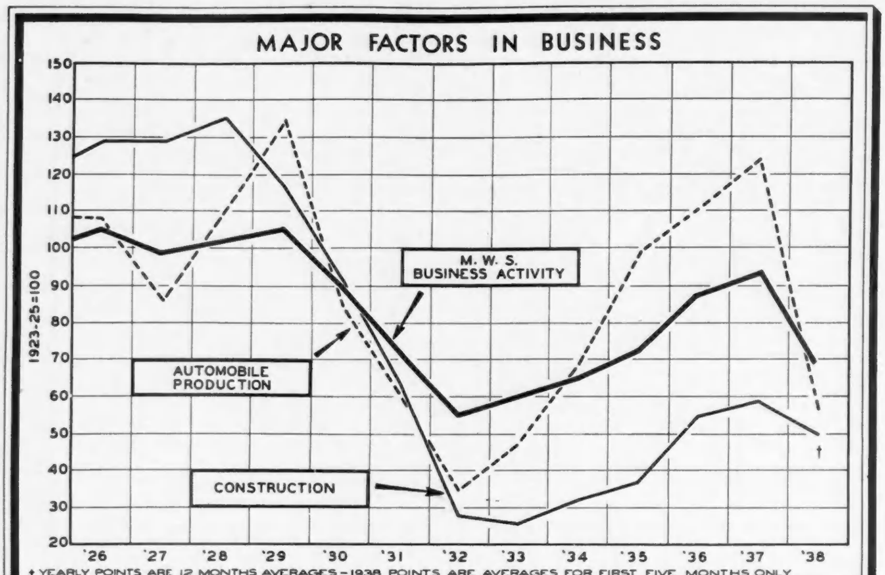
Experiments with plant metabolism, enzymes, hormones and other factors of plant growth point to hundreds of ideas which will change farm technique and farm practice.

It has been found that certain chemical compounds are capable of controlling structural formation in such a way that one part of the plant is inhibited while the other is stimulated. Specifically, this knowledge is at present applied to the forcing of root growth on cuttings or shoots normally difficult or slow to root, thereby greatly facilitating the work of the horticulturist. Extension of these studies will further revolutionize that field of agriculture.

Many scientists believe that man's most formidable enemy is the insect and his allies, fungi and bacteria. But for research, it seems likely that these bugs would have destroyed us long since. No industry is so beset by this enemy as agriculture, whose annual losses due to pests are reckoned in the billions of dollars. Conditions more favorable to the growth and spread of pests have come with increasing density of population and increasing facility of transportation. Mechanical measures for their control having proved inadequate, man is resorting more and more to science in exterminating his enemy. Animal and plant breeders are developing strains that are resistant to attack. Natural enemies are introduced to destroy them. Above all, chemical research gives the promise that man will have little difficulty in controlling pests however savage and persistent.

Thousands of insecticide compounds are made and tested each year in laboratories and test plots. Many of these are found to be effective and safe and already have proven their value. The day will come when Japanese beetles and grasshoppers, even wood-ticks and chiggers will no longer harass the farmer and the man who works in the fields and forests.

The farm of the future will doubtless present a different physical picture. Farmers will gradually change their field layouts in line with new farming techniques which involve the use of constantly modernized machinery, the institution of soil erosion control methods, over-head and underground irrigation, drainage and fertilization, farm chemical *(Please turn to page 544)*



Two Keys to Recovery

Motors and Building Construction Still Dominate the Outlook

BY WARD GATES

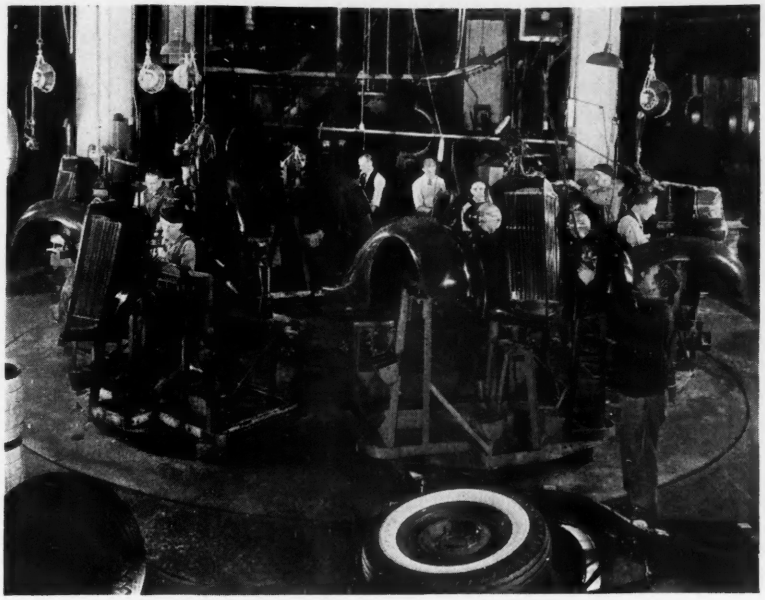
Take any industry and ask an informed opinion as to its outlook—and you will most likely be told that "it depends on the general business trend." That is largely true, for no industry operates in a vacuum. We live, indeed, by taking in each other's washing and all economic activities are more or less inter-related and interdependent. Nevertheless, there is an essential difference between supply industries—such as steel or chemicals or copper—and industries selling finished goods to the ultimate consumer, such as automobiles, construction, farm equipment, household apparatus and so forth.

If any industries may be considered primary originators of business activity, they fall in the latter class. By a big margin the two most important of them are the motor industry and construction—vast consumers of materials, vital sources of employment, the bread and butter of dozens of supply industries. Together they consume nearly one-third of the output of the steel industry and provide the railroads with millions of cars of freight. Dependent upon one or the other or both—in some instances in major degree—are such diverse industries as lumber, copper, lead, zinc, tin, aluminum, nickel, rubber, upholstery materials, paint, glass, cement, hardware, plumbing and heating equipment, electric household appliances, brick, tile, slate, stone, gypsum plaster, asphalt and asbestos roofings. The list is far from complete, but the items mentioned suffice to bring home the tremendous roles that these two fields—automobiles and construction—play in our economy. If each could recover the peak volumes attained in the 1926-1929 period—a large order—such activity would directly or indirectly require the services of millions of additional workers and the back of our unemployment problem would have been broken.

Since they constitute the two most important keys to industrial recovery, there is some logic in linking the two industries for joint discussion. Otherwise, at least on first glance, they have little or nothing in common. The motor industry is highly organized and integrated—dominated by a few manufacturing enterprises which represent the last word in efficient mass production. Construction is at the opposite pole. It is not really an industry. It is a sprawling, unorganized, unintegrated, inefficient, high-cost aggregation of almost innumerable local contractors, speculative builders, architects, real estate brokers, dealers in building materials, mortgage

lenders and manufacturers of materials.

Today the Federal Government is making an extraordinary effort to stimulate construction by direct spending, by loans and subsidies and by F H A insurance of private mortgage lending. This drive centers primarily on residential building, in which field the need is greatest and most acute. It would be easy to exaggerate the effectiveness of the Government program in its relation to our total economic activity. Visionaries point to *potential* demand for millions of dwellings. Everybody also would like to have two brand new automobiles, a dozen suits and what have you. *Effective* demand alone has meaning; and there is not effective demand at present or in nearby prospect for more than a relatively small fraction of the grandiose totals of dwellings that political planners and social workers are dreaming about.



Gendreau

Assembly turntable in the Packard Plant

Moreover, for the sake of perspective, it should be noted that in the biggest building boom we ever had, all types of residential building averaged less than 40 per cent of the total volume of construction. During the past several years, with the ratio of public works substantially increased, residential construction has averaged less than a third of total building.

To some extent the theory of reviving residential building as a spark plug for industrial expansion puts the cart before the horse or at least reverses the historical relationship. Mere population growth of itself never made a housing boom. If it could do so we would have seen housing booms in India and China. The formerly fast rate of population growth in this country was largely due to its industrialization and rapid long-term economic expansion. These forces induced both heavy immigration and a high birth rate. They created both a need for housing and the wherewithal for satisfying such need. The decades of railroad building were accompanied by several housing booms. The flowering of the automobile industry in the decade of the '20's and the great expansion of electric utility facilities in the same decade had much more to do with the building boom of that era—including residential construction—than is commonly realized. To bring home this fact all one need do is take the dynamic building figures of Detroit, Cleveland, Toledo and other centers of manufacture of automobiles or automobile parts during the '20's and compare them with the much more static figures in cities less directly affected by the growth of the motor industry.

Now, of course, we are not through with industrialization and long term growth of economic activity. There may be dynamic new industries over the horizon which we can not now visualize any more than we could have visualized the motor industry forty years ago. Application of Diesel power is still in its infancy and has fascinating possibilities in various directions. The airplane industry is still young. So are air-conditioning and plastics. The chemical industry still has great frontiers to explore. We can probably count on additional secular growth in application of electric power.

But there is no single economic transformation in sight which appears capable of favorably affecting construction in such degree as did the building of the railroads or the advent of the motor industry. It must be realized that the construction boom of the '20's rested upon both an unusual conflux of favorable economic circumstances and an unprecedented speculative expansion of credit.

Gendreau

To cite these realities is not by any means to take a hopelessly pessimistic view either of the outlook for construction or the outlook for business recovery. During part of last year—with the dollar volume of construction of all types less than half the average of 1923-1929—our per capita business activity increased above the 1923-1925 level and stopped no great distance short of the 1929 level. Even allowing for the expansion of Government debt incurred in pump priming endeavors, that performance involved considerably smaller use of credit than did the 1923-1929 boom and it was made possible, of course, by the fact that cyclical revival in other industries and secular expansion in new or still growing industries more than outweighed the lag in construction. Assuming an adequate revival of private financing and business investment—to supplement presently increasing Government spending—there would seem to be no *economic* reason why we can not in time attain a per capita business activity surpassing that of 1929. This possibility, of course, is highly conjectural. It does not deny the probability that at best future secular expansion of economic activity in this country will tend to be slower from decade to decade than in the several generations prior to 1929. It is a fact that we are well along the road to economic maturity with all that such status implies in declining rate of population growth and a tendency to shift emphasis somewhat from expansion of production facilities toward current consuming needs and consequent increase in relative economic importance of service industries or activities.

On the other side of the picture, the bearish implication of declining birth rate in relation to the construction outlook is not a present or nearby factor of any importance. Babies and children do not build, buy or rent homes. Present adults and those who will become adults and family heads over the next ten or fifteen years make a population whose potential needs for housing will dwarf those of any past period. The obstacles to such a housing boom will not for some years to come lie in the matter of population. They are economic and financial obstacles. High costs, taxation, insecurity of employment, the relatively greater attraction of other products competing for the consumer's money and a host of other difficulties and complexities all combine to make home ownership less desirable or feasible than it should be in social theory.

Yet despite all difficulties and excluding public works, residential building—and indeed the aggregate of all private building—has held up in decidedly encouraging fashion through the recent depression. It is quite possible that for the year as a whole residential building may come close to the 285,000 units built last year. It is certain that a general economic recovery equal to that of 1936-1937 would carry total construction very substantially above present levels and probably somewhat above the highest level reached at any time during the first New Deal recovery. However debatable in long range soundness, Government-financed slum clearance and the liberalized F H A mortgage set-up are definitely on the stimulating side. On the favorable side also is the beginning tendency of big financial interests—for example, the Metropolitan Life Insurance Company—to develop large scale housing projects for rental as a conservative and apparently promising field for investment. All in all, it does not seem fantastic to hold that we should be able within a reasonable time to attain a construction level around two-thirds that of the '20's or some 50 per cent above this year's probable volume. We could get along very nicely on that.

The Two Key Industries in Recovery

Automobiles:

Foundation for the direct employment of more than 500,000 workers and indirect employment of upward of 3,500,000 others. Provides largest single outlet for steel, rubber, malleable iron, plate glass, nickel, lead and mohair. Last year the industry used 18 per cent of total steel output, 75 per cent of all rubber imported, 17 per cent of domestic copper output, 6 per cent of hardwood lumber, 36 per cent of lead, 11 per cent of zinc, 14 per cent of tin, 12 per cent of aluminum, 28 per cent of nickel.

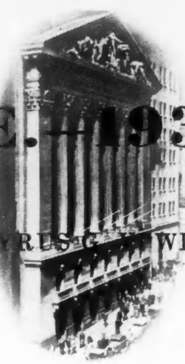
Construction:

In the 1920-1930 decade building gave direct and indirect employment to more persons than in any other occupations excepting farming and retail and wholesale trade. Even at present depressed volume it is foundation for direct and indirect employment of probably more than 3,000,000 persons. It annually provides millions of cars of freight for the railroads. Products for which it is either major or important outlet include lumber, brick, cement, paint, hardware, glass, steel, lead, zinc, copper, nickel, tile, slate, gypsum plaster, composition wall board, asphalt and asbestos roofings, furniture, floor coverings, plumbing and heating equipment and electric and gas household appliances.

Turning to the motor industry, the depression pessimism of its leaders in recent weeks has been converted rapidly to increasing optimism. Relatively fast changes in motor sentiment, sales and production are typical. July sales of new and used cars showed a definitely favorable change of trend, reflecting the generally improved business outlook forecast by the stock market and by action of prices of sensitive industrial raw materials. Such fragmentary statistics as are available are sufficient to indicate that a major reduction of dealer stocks has been effected. As reported by the Federal Reserve Bank of Chicago—the only one providing figures on automobile stocks—stocks of new cars at the close of June in the Seventh Reserve District were 18.4 per cent lower than a year ago, while the average figure for the first half year was 38 per cent *higher* than a year ago. This reflects rapid and progressive inventory reduction during the second quarter. With factory production declining sharply, incident to the model change-over period now just ahead of us, it is certain that July saw further working down of stocks and that such adjustment will be carried further during August.

Believe it or not, some sales departments are now warning production chiefs of the possibility of car shortages by autumn and several manufacturers are speeding up preparations for new model production. Although the national show will be held on schedule early in November, the more hopeful outlook for autumn sales will bring considerable advance in dates of dealer and press showings, public an- (*Please turn to page* 535)

N. Y. S. E.—1939 Model



BY CYRUS G. WHITE

With all respect to the progress of the automobile makers, they have never brought out a model embodying changes as sweeping as those in the *new* New York Stock Exchange. Streamlining is hardly the word for it—the past few years and particularly the past eighteen months have seen S E C and Stock Exchange engineers intent on new internal design. It is possible now to see the net effect of the experiments in the midst of a breathing spell. Looking back at the more recent changes and forward at those probably to come, the evidence is clear that their general result has been helpful. The Stock Exchange is not only a different place but in many ways a better one. Here is the chronology:

In January, 1937, a seat on the Exchange sold for $134,000.

March (1937). Rules against "free-riding" laid down. Brokers required to keep records showing which customers were providing for purchases by selling securities within the three-day limit allowed for posting margin, thus evading the intent of margin regulations.

April. Specialists instructed to maintain orderly markets in their issues. Responsibility for preventing wild fluctuations handed to the specialists in individual stocks. They were presumably to buy only on a falling market and sell on a rising one.

May. "Daylight trading" rules applied to members and partners. Full margin to be maintained at all times during the trading session, rather than at the close.

November. "Flash printing" inaugurated. With the ticker unable to keep up with transactions, up-to-the-minute prices of selected stocks to be printed on the tape at regular intervals during periods of pronounced lateness.

November. Margins eased for the longs, tightened for the shorts. The Federal Reserve Board lowered its requirement from 55 per cent to 40 per cent on purchases and laid down a new rule requiring 50 per cent margin on short sales.

January (1938). Commissions raised. Despite considerable opposition, higher commissions on practically all transactions went into effect.

February. S E C rules on short-selling. Round-lot short sales to be allowed only at a price higher than the last previous transaction.

March. Condition statements of brokers to be made available. Because of the Whitney failure, brokers ordered to furnish to customers the essential data on their financial position.

March. New constitution approved by members. Public to be represented on the Board of Governors, outsiders on the panel drawn up for arbitration of disputes between members and customers. A paid president to be chosen, responsible for equitable and efficient administration.

May. Martin elected Chairman. Although later to be chosen for the more prominent position of President, the election of Martin as Chairman symbolized the rout of the Old Guard which was considered responsible for failure to gain public confidence.

June. A seat on the Exchange sold for $51,000. Lowest since 1918.

June. S E C backed up by the Stock Exchange. Increase in odd-lot selling since February short-selling regulations of the S E C met by rule of the Stock Exchange applying the same restrictions to all trades, regardless of size. Significant as a sign of cooperation between the two bodies, rather than as a solution of the short-selling problem.

Changes in Prospect

Semi-weekly settlements of transactions have already been approved by the Exchange, to begin September 1. If successful the plan may be carried further and settlements may take place only weekly.

Broker-dealer segregation will probably be attempted first by experimenting with selected issues. Specialists in these stocks will be forbidden to trade for their own account. If no damage to the market is apparent, the principle may be extended to all stocks and to other classes of members.

Brokers' capital requirements are in line for further attention. Resources in larger proportion to the size of the business handled will undoubtedly be required, whether or not resort is had to *bonding of partners, mutual guaranties,* or *incorporation of member firms.*

A smaller membership seems desirable from the point of view of the S E C. Out of the many methods proposed to reduce the number of brokers, none as yet look to be workable. More will be heard on this subject when another period of dull trading sets in.

A mutual trust company has been suggested, combining the securities cages and (*Please turn to page 544*)

Happening in Washington

BY E. K. T.

Primary results to date show mixed trends, much influenced by local issues and personalities, but are notable in that several incumbents with Roosevelt blessing lost out while others who boasted they were not New Deal rubber stamps retained their positions despite fierce New Deal opposition. *Obviously the New Deal's "purge" is less than half successful, and the collateral blacklisting by Labor's Non-Partisan League is making an even poorer showing.*

Campaign expenditures threaten some scandals, with hints that some seats may be challenged, but most that observers expect is a slight tightening of the corrupt practices laws relating to undue influence on voting by state and federal employees. This will not prevent reliefers, non-civil service employees, and other federal beneficiaries from realizing who butters their bread—which is one of the main strength of the sitting administration.

Monopoly inquiry scope is expanding as planners outline more aspects of business policies for scrutiny. Some agencies have started on spade work, studying data already at hand, while others are still undecided where to take hold. Congressional members of Economic Committee have given executive members virtually free rein in this part and will not become active until fall. Public hearings will be postponed for couple of months until it is decided where to strike first; then business witnesses will be subpoenaed to protect them from criticisms of associates for any disclosures. Report to Congress is required in January, but this will do little more than outline scope of work and preliminary suspicions, and legislative recommendations will not be pressed.

Economic power to fix prices, control production, influence competitors, etc., whether used beneficently or maliciously, or not used at all, will be condemned by one branch of the economic investigation. Idea is that existence of economic power has potential effect on general welfare and either should be destroyed or exercised by government. Recommendation probably will be for alternate use of both remedies—forced competition where possible; government control where economic concentration is already large. *Significant that Department of Justice in several recent anti-trust suits suggests courts should condemn existence of economic power in a segment of an industry even though there are few specific instances of deliberate law violation or maltreatment of competitors.*

"Medical trust" suit by Department of Justice, possible only in District of Columbia because doctors generally are not in interstate commerce, is really aimed at nationwide practice of doctors hampering growth of co-op health associations and group hospitalization plans. Comes suspiciously soon after D. C. courts upheld legality of local hospital co-op which medical society opposed and after President's health conference which flayed organized medicine and proposed federal-state public health plans ultimately costing billions. S S Board is studying plans for federal health insurance, and there have long been rumors that socialized medicine was next big New Deal objective. Apparently doctors are to be lined up with lawyers, businessmen, tories, and other "unsocial" groups.

WASHINGTON SEES—

New Deal purge not very effective.

Attack on economic power whether or not misused.

Socialized medicine a coming issue.

Job insurance revision to be urged on states.

Food and drug enforcement forceful but cautious

Truck regulation by federal government due for expansion.

New housing stimulants being sought.

Courtship of Latin America.

Rural electrification headed for difficulties.

Unemployment insurance revision being mapped by S S Board will be pressed on states in January; chiefly more streamlined administration and higher benefit payments to compete with W P A wages and offset complaint that taxes take out more than they put back into circulation.

Latin America is object of much concern by administration, fearful that fascist powers will gain important trade and financial spheres of influence there. Steps taken include creation of division of cultural relations in State Department to offset foreign propaganda bureaus, revival of Export-Import bank, continued short-wave broadcasts, good-will military flights, interest in good ship service, more trade agreements, and many less noticed gestures.

Venezuela trade agreement hearings will chiefly involve oil, raising old questions of major company control, conservation vs. imports, and coal vs. fuel oil, with coal and oil men fighting on the same side to prevent cut in import tax which expires next June anyway in absence of further legislation. But most arguments are expected to be of type which are old stuff to tariff negotiators and they will be swayed more by fact that oil imports are less than 3 per cent of U. S. consumption but 70 per cent of Venezuela's exports.

Import competition as monopoly curb is a weapon sought by some New Dealers, who are urging State Department to manipulate foreign trade agreements to cut duties on commodities with "controlled" or rigid prices. But Secretary Hull is unresponsive, adhering to his basic policy and refusing to let his trade program become tool for extraneous objectives.

Railroad consolidation plans will be under discussion next winter, with big struggle between bondholders, stockholders, and labor for advantage in reorganizations, and government ownership lurking not far in background. Prospect is I C C will give stockholders least consideration, and influences are at work in administration to squeeze out many bondholders also by putting roads through a tight wringer.

Food and drug regulations issued so far under new law indicate determination to extend law to widest possible scope and use teeth to the utmost, natural result of long campaign for new law and criticisms of laxity from militant consumer organizations. But department is adopting careful administrative procedure which will permit thorough public discussion of proposed regulation wherever possible, afford full hearing to alleged violators, and prevent court reverses. First sufferers are notoriously injurious cosmetics for which department has been lying in wait for years.

Truck supervision by I C C is gradually expanding, with hints being dropped that government should study right of private business to haul own goods in own trucks on public highways in competition with common carriers. To meet this threat, private truckers are forming an association which will also fight increasingly restrictive state legislation. Agriculture Department is also interested because of restrictions on farm trucks. Significant that in fixing hours of service for common and contract drivers, I C C based findings on highway safety, thus paving way for similar restrictions on private truckers. Hearings on this phase may be scheduled in fall. Meanwhile I C C is struggling with attempt to define proper sphere of activity for contract carriers which common carriers claim are encroaching on their business.

1939 deficit, estimated by Roosevelt at under $4 billion, will actually exceed $5 billion, financial observers predict on basis of current spending rate of regular government agencies plus future relief spending. Most pump-priming agencies actually have not put out much cash so far, and peak will not be reached for six months.

T V A investigating committee will continue to sit in Knoxville until funds run out, then ask for more. At present lost in maze of counter-charges and apparent irregularities, eventually it will obtain a complete picture of what is wrong. *Not much weight will be given to the personal feuds which have been the head-lines to date, and greatest interest is in allocation of power cost figures, real basis of competition with utilities, and whether or not T V A is actually developing a yardstick of any use in measuring private utility charges.*

Small businessmen are attempting to consolidate the heterogeny of associations formed following Roper's ill-starred conference last spring. Aim is to have a voice in anticipated legislation and to present a strong front in monopoly investigation.

Wage-hour administration has not yet started to function, but brain trusters predict that when it does businessmen will complain of inflexibility and will regret that they were the chief opponents of delegating wide discretionary powers to administrative agency.

R E A spending program calls for $140 million this year as pump-primer, whereas it has loaned co-ops but $89 millions in past three years. To make showing it is sending missionaries, stirring up half-hearted farmers, pressing loans in excess of conservative needs, with result that expenditures will lag way behind allotments. Even so, utilities will feel much competition, particularly since R E A discourages co-ops from buying power from utilities, encourages building own generating plants or buying from municipal projects. Many new rural lines are very flimsy, far below safety standards of utilities, and this plus over-borrowing and other difficulties is expected to cause many rural co-ops to go bust in few years, defaulting R E A loans.

Sears' retail store, Glendale, Calif.

Prospects Favor Sears Roebuck

BY HENRY RICHMOND, JR.

THERE is probably no company more intimately known to people in the United States than Sears, Roebuck. In the form of a mail order catalog it visits periodically six or seven million homes. To countless families this catalog is the book of the year, counted on to pass many pleasant evening hours for father, mother, sister, brother and to become eventually paper dolls at the hands of the younger children. Then there are the many millions of other families who take the initiative and visit one of the company's 491 stores. These range in size from small units which carry for the most part automobile accessories, tools, etc., to full-fledged department stores.

It is indeed remarkable that an organization which sold $537,000,000 worth of everything in the year ended January 31, last, does not bog down of its own magnitude and complexities. It may be possible to delegate a good deal of authority over inventories, prices and local policies generally to the managers of the various stores and so avoid a measure of topheaviness, but imagine the difficulty of preparing a thousand-page catalog containing wearing apparel of every conceivable sort, size and color, tools, farm implements, drugs, cosmetics, housefurnishings and whatnot — and then seeing that you have all these things on hand or that you are in a position to obtain them at a price which will show a profit at the catalog figure!

Yet, while the difficulties obviously are formidable, the record of Sears, Roebuck & Co. as a money maker is one which has few blemishes. From sales of $537,000,000 in the last fiscal year, a net profit of $30,828,248 was derived, or the equivalent of $5.58 a share on 5,526,943 shares of common stock. For the year to January 31, 1937, sales were $495,000,000 and the net profit $30,660,198, or the equivalent of $5.60 a share on 5,476,478 shares of common stock. The operating profit margin was narrower in the later period owing to the relatively greater cost of sales and advertising, selling, administrative and general expense.

In the case of Sears, Roebuck the holders of the common stock are the sole owners of a business unencumbered by the claims of others except for debts contracted in the course of the day's work and minor mortgages. These holders of the common stock have a good deal behind their certificates. They own an interest in 491 retail stores, the larger of which for the most part were

built by the company on land which it itself owned. There has been constant expansion in the retail store side of the business since 1925 when Sears first decided to broaden its scope beyond the mail order field. There were a number of reasons for doing so: the company wished to tap the urban areas from which it derived little business. Then there were the changing habits of the farmer and his inclination to drive to town and actually see and touch the merchandise he bought. To better serve this trade Sears usually places its stores just outside a center so that there can be plenty of parking space.

Today, the stores operated by Sears, Roebuck do a larger volume of business than is done by the mail order division. The ratio is around two-thirds to one-third. Two-thirds of last year's sales volume of $537,000,000 would be about $360,000,000. An idea of the company's competitive position in the chain store field may be obtained by comparing this figure with the sales of other companies. Last year J. C. Penney's business totaled $275,000,000, that of F. W. Woolworth, $305,000,000.

In addition to the interest owned by a Sears, Roebuck stockholder in 491 stores, their fixtures and their inventories, he has a stake in ten mail order plants and a number of factories producing goods which the company believes cannot be obtained satisfactorily on the outside. The gross property investment is about $144,000,000 which becomes a net investment of $88,500,000 after a $55,500,000 reserve has been deducted for depreciation of buildings, equipment, furniture and fixtures.

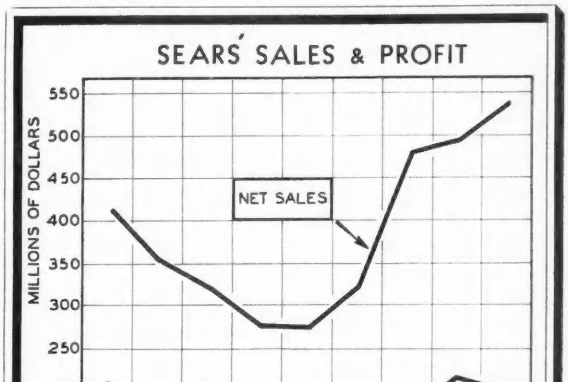
The net investment in property unquestionably is a very conservative figure. Sears, having sunk nearly $22,000,000 in fixtures for the retail division, most of it within the past ten years, now carries these items on its books at about $6,000,000. In this same connection two significant points were made in the last annual report. It was brought out that while the company paid total dividends of $5.50 a share out of reported earnings of $5.58 a share, it was nevertheless subject to an undistributed profits tax of no less than $772,000, owing to the fact that the Government refused to allow credit for all the depreciation and reserves which it was deemed advisable to set up. The second significant point bearing on the conservatism with which Sears, Roebuck keeps its books was the statement that it anticipated lower depreciation charges for the current year "inasmuch as the capital investment in 191 of our 491 retail stores has been entirely written off, even though all the stores are completely equipped."

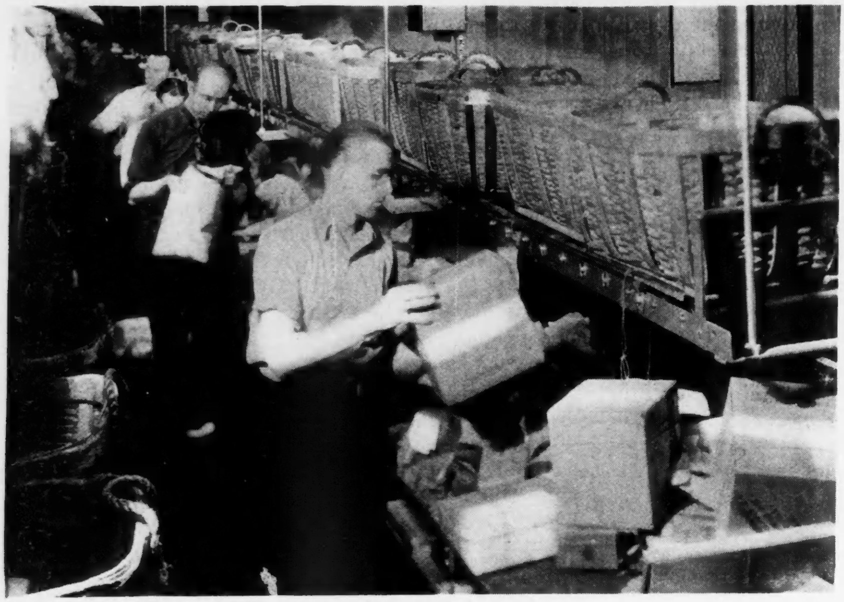
The working capital in which a stockholder of Sears, Roebuck has an interest is, of course, relative to the rest of the business. As of last January he could credit himself with a share in cash and marketable securities totaling more than $19,000,000, in receivables of $53,000,000 (substantial reserves already deducted) and in an inventory of $102,000,000. On the debit side of the stockholder's stake would be his share of the current liabilities which amounted to roughly $34,300,000, but even so this would still leave him an interest in working capital aggregating $140,000,000.

Nor is this all that lies behind a Sears, Roebuck stock certificate. There are certain miscellaneous assets—mortgages receivable, investments in subsidiaries doing an insurance business and, perhaps the most important of all though it is carried on the books at only $1, the matter of goodwill. This last obviously is of great value: it is the intangible something which makes people enter a Sears, Roebuck store in preference to some other store; that makes them order from a Sears, Roebuck catalog instead of the catalog of a competitor. Sears has been adding to the value of its goodwill now for more than fifty years.

Let us return to the matter of inventory, for the management of this item is really the heart and soul of all retail businesses. The $102,000,000 of the stockholders' moneys which Sears, Roebuck had invested in merchandise was there because the company's management confidently expected to be able to sell it for more than it cost. Based on long and successful experience the management's confidence will not be misplaced, but clearly the question of price is of primary importance. If prices go up, Sears, particularly in the mail order division, will be in the position of shading the market—a situation which the customers will realize and result in their buying freely. If on the other hand, prices go down the situation will be reversed; Sears will be above the market and sales will fall off until such time as it revises its price tags and foregoes a normal margin of profit or even takes losses on part of its merchandise inventory.

The record reveals a high degree of skill in coping with all ordinary price fluctuations. This is done by expanding inventory when prices appear headed upward and contracting them when the trend seems down. For example, the company states that, like most firms, inventories were built up substantially during the spring and summer of 1937, but that a change in the basic trend was recognized early and surplus merchandise was liquidated. It was further said that purchase commit-





All photos in this article by courtesy of Sears, Roebuck and Co.

Above is shown part of Sears' mail order department where mixed orders are assembled for shipping.

ments at the end of January were 28 per cent under those of a year ago.

Or, looking further back: Sears suffered severely in the 1920-1921 depression. It made money in 1930 and 1931, when so many other companies slipped into the "red" almost immediately after the crash in the autumn of 1929. However, a large loss was reported for the generally disastrous 1932. Thus, it would seem that there is only one thing that can drive the world's largest merchandiser into losses: this is an exceptionally steep decline in prices, adverse in itself and bringing adverse repercussions.

The reason for the discussion of unhappy periods in the history of Sears, Roebuck is that if the prospect favors no steep decline in the general price level, there is the utmost assurance that the company will continue a profitable enterprise. Nor should it be hard to decide that the trend of prices from this point is upward and therefore favorable rather than harmful. It is true that retail prices in many instances have not reversed the downward drift that has been in evidence now for the better part of a year. Sears, Roebuck itself in the fall and winter catalog which has just been issued quotes prices averaging 8 or 9 per cent under those of the spring and summer book. But this does not alter the fact that we still have to feel the inflationary effects of the Government's pump-priming program, that bounties to the farmer, higher taxes for everyone, the fixing of minimum wages and shorter hours, all spell higher prices eventually.

On the other hand, while the depression is dying, it is not yet dead and its effects are to be seen in the 12 per cent decline in sales' volume which Sears reported for the twenty-four weeks to July 16. Furthermore, one must not overlook that many of the factors cited as tending to bring about the rising price trend favorable to Sears, Roebuck are also adverse to the company from another direction. The prospect of higher taxes and higher costs generally, for example, are directly adverse. Sears, Roebuck itself is not insensitive to a mounting tax bill, for the last annual report stresses the fact that the 1937 tax bill was over $5,000,000 for local and state taxes and over $9,000,000 for federal taxes. Also, the point was made that the ratio of the total tax bill to final net income was 46½ per cent in 1937, 38½ per cent the previous year and 18.9 per cent ten years ago. Not included are the sales taxes, Social Security taxes and similar taxes for which the company acted as collector. These totaled almost $6,000,000 in 1937.

While on the subject of taxes, it is not to be forgotten that now that Sears has become so much of a merchandising chain it is greatly interested in the war being waged by independent retailers on the chain system of doing business. Sears, Roebuck, of course, is not situated as some of the chain groceries: it has fewer outlets, the larger of which might well be able to exist despite discriminatory taxation, and its profit margins are generally wider. Even so, (*Please turn to page* **544**)

National headquarters, home office and mail order division of Sears in Chicago.

Recovery Outlook and Mid-Year Dividend Forecast

Part II—Steel, Motors and Accessories, Tires, Chemicals, Liquors, Sugar, Tobacco, Movies, Foods, Meat Packers

Both earnings and dividend outlook are of primary concern to investors at this time. Unfavorable second quarter reports for many companies are reflecting the poor level of general business throughout the first half of the year, but with modest improvement discernible in many lines these figures seem unlikely to be duplicated in the following six months. Dividend margins that have been perilously impaired may consequently be bolstered. On the other hand, the drastic modification of the undistributed profits law relieves a great number of companies of the necessity of paying out so large a proportion of their earnings as heretofore and may result in rates being reduced in order to rebuild reserves. The months between now and the year end will doubtless see many significant changes in accordance with the course of business profits.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters, A, B, C, D, are used in connection with the industry according to the current and prospective activity in the field. These letters are not concerned in any way with individual companies. The numbers, 1, 2, 3, 4, are used for rating the company on its earning power, current and prospective.

INDUSTRY	COMPANY
A—Active, further progress indicated.	1—Good earning power; substantial gains indicated.
B—Active, further progress may be slow.	2—Improvement in earnings expected.
C—Depressed, prospect for recovery favorable.	3—Gain in earning power may be slow.
D—Depressed, no nearby improvement indicated.	4—Earnings outlook unfavorable.

Under such circumstances this Mid-Year Dividend Forecast should prove of particular interest and help. For convenience it is presented in three parts.

Part I, covering the Railroads, Public Utilities as well as the railroad, electrical, business, agricultural and machine equipment companies appeared in the issue of July 30. Part II dealing with Steel companies, Motors and Accessories, Tires, Chemicals, Foods, Tobaccos, Liquors and Movies is in this. Part III which will take up the Oils, the various divisions of merchandising, Metals, Aviation and Building as well as many miscellaneous industries will appear in the issue of August 27.

The tables and comments comprising this feature are accompanied by our investment ratings which are explained in the table above.

Chemical Outlook Is Improving

Speaking in its own language, the situation of the chemical industry at the moment can be summed up as PH_3 . . . one part actual Progress, three parts Hope. It is known that customers have reduced their inventories to a point which will bring a buying wave provided general business can continue its moderate gains. Inquiries have already become more frequent, and prices have firmed with the improvement in sentiment. Translation of this tendency into actual sales and profits, however, is still a matter of the future. Current business, even with the recent slight pickup, would hardly justify the prediction of a substantailly better second half-year.

Yet it would be difficult to look any distance into the future without recognizing the fact that the possibilities and the probabilities are all on the encouraging side. No industry in this country can go forward without having its effect on the chemicals. Whether it be textiles or building, automobiles or paper, steel or petroleum, the leaders in Fall business will contribute to the earnings of the chemical companies directly and immediately. It is clear, therefore, that the only justification for assigning the industry a drab rating at the present time would be a refusal to concede any important segment of business the chance of extending the present edging forward movement into a definite pickup.

The chemicals cannot institute a boom of their own but they have advantages over practically all of their

customers. Labor costs play so minor a role in the business that increasing volume at reasonable prices must almost inevitably result in net profits. Perhaps because of its youth and continual progress, prices are in a sense secondary; competitive factors do not lead to impairment of profit margins to the point where volume is attained periodically at the expense of stability. Furthermore, during a rising trend, the industry is favored by the leverage of heavy depreciation charges on its large plant investments. The leverage factor produced a drop in earnings in the first half amounting to perhaps twice the drop in sales; its effect in reverse will be in similar proportion.

The companies which specialize in one or two products or which sell to a limited body of customers will run the danger of a "spotty" recovery. Many of this type, however, are strongly affected by a seasonal pattern which lumps their profits into a short period, and it is possible that on balance this will work in their favor, if conditions improve sufficiently by the latter part of the third quarter. The larger enterprises will be in position to benefit whenever the business is available and results over the last half of the year will gain by comparison with a year earlier, when profits had already begun to turn down. Although the market sets a high value on the better equities in this industry, the advantages already enumerated and the prospect of further long-term growth combine to recommend them highly for investment purposes, despite the low yields which are characteristic of the industry.

Position of Leading Chemical Stocks

COMPANY	Earned Per Share	1st six months		Price Range 1938		Recent Price	Divs. Paid 1938	Market Rating	COMMENT
	1937	1937	1938	High	Low				
Air Reduction	2.85	1.67	.66	65¾	40	62	1.00	C-2	Pickup in steel and rail equipment activity would be important spur to earnings. Regular 25 cent dividends should be the minimum.
Allied Chemical & Dye	11.19	NF	NF	184	124	180	3.00	C-2	Earnings probably barely covered dividends in first half, but trend is turning and regular payments are reasonably secure.
Amer. Agricult. Chem	8.86c	315b	2.04b	84¾	49	84	2.25	B-3	Strong finances would permit large dividends even though fertilizer sales should fail to make broad gains.
Amer. Commercial Alcohol	4.88	1.52	.10	14¾	9	13	....	C-3	Trade situation must improve to make dividends likely.
Amer. Cyanamid "B"	2.09	1.13	.19	26⅝	15½	24	.30	C-2	Continued expansion requires substantial cash resources; dividends hinge on profits.
Atlas Powder	4.40	2.78	.52a	58	36	57	1.00	C-2	Regular $2.00 dividend rate should be maintained.
Columbian Carbon	8.31	4.69	1.32a	98½	53¾	92	2.00	C-2	Earnings lower, but fourth quarter prospects are promising.
Commercial Solvents	.60	.33	def.a	12¼	5⅞	12	....	C-3	Dividends not in near-term outlook.
Dow Chemical	4.15f	....	3.91f	140⅛	87⅞	134	2.25	C-2	Regular 75 cent quarterly payments appear to be in no danger.
★du Pont de Nemours	7.29	3.41	1.36	133¾	90½	133	1.00	C-2	Earnings should turn quickly with general business, but dividend policy will be contingent upon General Motors payments.
★Freeport Sulphur	3.30	1.56	.52a	31¾	19⅞	31	1.00	C-2	Profits should continue to support $2.00 annual dividend rate.
Hercules Powder	2.97	2.33	.73	65¼	42¾	62	.65	C-2	Good financial position will allow generous dividends in relation to earnings.
Heyden Chemical	3.94	2.52	....	37½	27	36	.80	C-3	Current dividend rate will probably be maintained.
International Agricultural	.16c	....	nil c	3⅞	2	3	....	B-3	Heavy accumulations on preferred must be eliminated before common can participate in earnings.
Mathieson Alkali	1.81	1.10	.34	30½	19¾	30	.75	C-2	Large depreciation charges serve to maintain current position even when dividends exceed reported earnings.
Monsanto Chemical	4.40	2.49	.89	96¾	67	96	1.00	C-2	Pickup should be fairly prompt in line with general improvement.
Newport Industries	2.22	1.47	def.	19½	9⅞	19	....	C-3	Volatile earnings expected to rise, but dividends not visible in near future.
Texas Gulf Sulphur	3.02	1.53	.97	37½	26	37	1.50	C-2	Balance sheet strength together with moderate gain in profits will probably result in maintenance of regular $2.00 rate.
★Union Carbide	4.75	2.27	.88	87	57	84	2.00	C-2	Halved dividend rate appears secure and may be increased later in the year.
United Carbon	5.90	3.43	1.10a	65½	39	62	1.75	C-2	Present rate of payments appears well within normal earning power.
U. S. Industrial Alcohol	def.	.77	....	24¼	13½	22	....	C-3	Profits expected later in the year, but unlikely to result in dividends.
Westvaco Chlorine	1.46	.78	.62	20⅛	10	19	.50	C-2	With good prospects for the balance of 1938, regular dividend rate seems assured for the near future.

a—First quarter 1938. b—Nine months ended March 31. c—Fiscal year ended June 30. f—Fiscal year ended May 31. ★—In our opinion the more attractive profit opportunities. NF—Not Available.

Position of Leading Motor Stocks

The outlook for the motor and accessory industry is discussed in detail on page 494.

Company	Earned Per Share 1937	1st 6 months 1937	1st 6 months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divds. Decl'd 1938	Market Rating	COMMENT
★Chrysler	11.66	6.31	1.31	75½	35⅜	75	0.75	C-3	Model changeover period will prevent immediate jump in profits, but good fourth quarter may mean a larger dividend.
Ford Motor, Canada "A"	2.27	NF	NF	20⅛	14⅝	19	0.50	C-3	Sales volume has held up well, justifying confidence in the $1 dividend rate.
Ford Motor, Ltd	4.17%	NF	NF	5⅝	3⅞	4	0.17	C-3	Gradual downtrend of profits and dividends unlikely to be quickly reversed.
★General Motors	4.38	2.47	0.66	47⅞	25½	47	0.50	C-3	Improving trade position plus better control of costs place this company in good shape for new model year.
Graham-Paige	def.	def.	def. E	2	¾	1	....	C-4	Profits may come later in year, but no dividends in sight.
Hudson	0.42	0.66	def.	10	5	9	....	C-3	No dividends expected, although fourth quarter prospects are improving.
Hupp	def.	def.	def.	1⅞	½	1	....	C-4	Financial and trade position must improve before dividends will be paid.
Mack Trucks	2.15	1.57	def. E	29	16	28	0.25	C-3	Strong finances will favor determined drive for Fall business.
Nash-Kelvinator	NF	NF	def.	12½	6¾	11	0.12½	C-3	Dividends unlikely, despite financial strength, until auto and refrigerator sales pick up substantially.
Packard	0.20	0.25	def.	5⅞	3¼	5	....	C-3	New models likely to make fourth quarter profitable.
Reo	def.	def.	def. E	3	1½	2	....	C-4	No dividends, even if sales expand and losses can be eliminated.
Studebaker	0.37	0.54	def.	8⅞	3½	8	....	C-3	Prospects hinge on sustained rise in sales.
White Motor	0.10	1.04	def.	15¼	6⅛	14	....	C-3	Improved plant and equipment place company in better position to handle profitably a larger volume of business.
Yellow Truck "B"	0.85	0.36	Nil	21⅝	8⅜	20	....	C-3	Accumulations on preferred would prevent common dividends, but outlook for last half of 1938 is growing more hopeful.

a—Fiscal year ended November 30th. b—March quarter. E—Estimated. NF—Not available. ★—In our opinion, the more attractive profit opportunities.

Position of Leading Motor Accessory Stocks

Company	Earned Per Share 1937	1st 6 months 1937	1st 6 months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divds. Decl'd 1938	Market Rating	COMMENT
Bendix Aviation	1.07	0.78	def.	22	8⅝	21	....	C-3	Aviation division continues to do well, but pickup in motor equipment needed to bring dividends.
Bohn Aluminum	5.03	4.08	def.	30⅜	15⅜	29	....	C-3	Costs have been substantially reduced and earnings should be sensitive to industrial recovery.
★Borg-Warner	3.62	1.87	def.	33¼	16½	33	....	C-2	Strong trade and financial position will permit rapid recovery of earning power under favorable conditions.
★Briggs Manufacturing	4.75	3.00	0.16a	35½	12¾	35	0.25	C-2	Nominal profits early in 1938 speak well for ability to enlarge them with the help of greater volume.
Briggs & Stratton	4.25	3.00	1.32	38	20	38	1.50	C-3	Second quarter covered the 75c quarterly dividend rate, which will probably be maintained.
Budd Manufacturing	0.48	0.53	def.	6¾	3¼	6	....	C-3	Accumulations on preferred will bar common dividends; loss for year indicated.
Budd Wheel	0.60	0.51	def.	5½	3	5	....	C-3	Reduced loss in second quarter, but substantial earnings are some distance away.
Campbell Wyant & Cannon	2.60	1.92	def.	18¾	8⅝	18	0.25	C-2	Dividends may follow Fall upturn in business.
Clark Equipment	4.56	3.14	0.36	27	10⅝	24	....	C-3	Should benefit from increase in demand for either automobiles or farm equipment.
Cleveland Graphite Bronze	4.67	3.82	def. a	27¾	15¼	27	0.50	C-3	Final half of 1938 should result in moderate profit.
Collins & Aikman	3.85b	3.49c	def. a	37¾	13¼	36	0.75	C-2	Production is being stepped up to care for increased business.
Eaton Manufacturing	3.65	2.45	def.	21¾	10½	20	0.25	C-3	Reducing dependence on automotive industry, but still looks to car makers for main boost in earnings.
★Electric Auto-Lite	3.43	1.93	def.	28¼	13¼	26	0.25	C-2	An early beneficiary of step-up in motor production.
Firestone Tire & Rubber	3.33f	1.23g	0.53g	25⅛	16¼	23	1.00	B-2	Inventories carried at cost for purposes of interim earnings reports.
Goodrich, B. F.	def.	1.90	NF	25⅝	10	25	....	B-2	Large inventory write-down at year-end produced 1937 loss.
★Goodyear Tire & Rubber	1.94	3.18	NF	30	15⅛	30	0.25	B-2	Sales and profit margins have held up relatively well and should improve.
Houdaille Hershey "B"	2.14	1.82	Nil	15⅞	6	15	....	C-2	Small gain in second quarter over first; trend should be continued later in year.
Kelsey Hayes Wheel "B"	1.79	1.09	def.	8⅜	3	7	....	C-2	Better control of costs sets the stage for a return to profitable operations in the latter months of the year.

Position of Leading Motor Accessory Stocks *(Continued)*

Company	Earned Per Share 1937	1st 6 months 1937	1st 6 months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divds. Decl'd 1938	Market Rating	COMMENT
Midland Steel Products	6.15	3.30	Nil	28⅞	15¼	28	0.50	C-3	Further dividends this year are problematical, although earnings may recover quite sharply.
Motor Products	5.49	3.72	0.21	22¾	10½	22	....	C-2	New competition limits scope of prospective comeback.
Motor Wheel	2.11	1.35	def.	14¾	8	14	0.20	C-3	Although outlook is improving, dividends are not a nearby probability.
Murray Corp.	0.92	0.72	def.	10¼	4	10	....	C-3	Losses early in 1938 have lessened chance of a dividend later in the year.
Raybestos-Manhattan	3.03	2.37	def. a	24	14¾	22	0.52½	C-3	Reasonably prompt pickup is expected, and dividends should continue.
Reynolds Spring	0.75	0.84	def. a	12¼	4⅝	11	....	C-3	Restricted working capital position makes dividends unlikely.
Spicer Manufacturing	3.61	2.05	def. a	17¼	7¾	16	....	C-3	Farm implements and automobiles should help toward recovering earning power.
Stewart Warner	1.48	1.24	def.	12⅛	6	11	....	C-3	Bank loans may work against payments to stockholders, but profitable operations are in prospect.
Thermoid	0.01	0.40	def.	5⅜	2⅜	5	....	C-3	Common dividends in 1938 are improbable.
Thompson Products	2.92	2.45	def. a	18½	8⅛	18	....	C-3	Aviation business should contribute to profits, but dividends uncertain.
Timken-Detroit Axle	1.68	0.88	NF	15½	8	15	....	C-2	Oil-burner sales should pick up in latter part of 1938 and help to produce moderate profits.
Timken Roller Bearing	4.49	2.81	0.11a	52⅝	31¼	52	0.50	C-2	Current dividend rate reasonably safe, and earnings recovery would allow larger payments.
★U. S. Rubber	2.21	1.23	NF	47½	21	47	....	B-2	Dividends will depend on earnings after July first, under terms of indenture.
Young Spring & Wire	3.61	2.94	def. a	22¼	9⅜	22	....	C-2	Moderate improvement in line with industry in general appears likely for last half of 1938.

a—First quarter of fiscal year. b—Year to Feb. 26, 1938. c—Six months to August 28th. f—Fiscal year ended Oct. 31, 1937. g—Six months to April 30th. E—Estimated. ★—In our opinion, the more attractive profit opportunities.

Food Industry Gaining on Balance

Individual Prospects Vary

GENERALIZATIONS on the food industry as a whole are unsafe, because of the diversity of fields; and predictions of even the nearer future must be made cautiously, since each field encounters its own problems not only of demand but of supply, involving such variables as grain and cotton crops, livestock shipments, and so forth. Any conclusions as to the trend of the group must therefore be subject to some exceptions and qualifications.

It can, however, be fairly said that the food companies include a relatively large proportion of satisfactory *defensive* investments. The needs they supply are basic and the demand is stable. During periods when other industries are suffering from depression influences, when commodity prices are falling, certain members of this group are actually favored by wider profit margins due to the lower raw material costs. Provided the drop in sales can be kept within bounds, earnings may be very well maintained throughout such a period, once inventories have been substantially written down.

The stable nature of the business also permits a more generous dividend policy toward common stockholders. Not only is there less need for new capital in expanding or experimenting; there is less danger of paralyzing losses in the future which must be provided against by building up large cash positions at the expense of dividends. The comparatively sober swings in stock prices and in earnings tend to restrict speculative interest in such issues, thus holding them within a range which affords a generous dividend yield at most times.

Currently, the appeal of the stronger and better situated equities in the food group is directly measured by the appeal of defensive investments, as such. Money seeking large gains, and confident that the recent rise in the market is a valid beginning of a prosperity era, is more likely to switch out of this group and into industries where cycles are more pronounced. This is not meant to imply that there are no speculative opportunities among the companies listed here, but simply that they are relatively scarcer and that the group average can be expected to trail rather than lead a bull market.

The average investor cannot afford to stake both income and capital entirely on hopes or expectations of a sustained cyclical upturn, and to him the food industry offers a choice of stable equities, possessing elements of gradual long-term growth and affording liberal yields, which may form part of the back-log of his holdings. There seems to be no reason to doubt that the general run of food companies will be able to maintain both earnings and dividends over the medium future, regardless of changes in the fortunes of the more volatile industries.

Tobacco Industry Holds Its Ground

Cigarette production is not synonymous with the tobacco industry as a whole, but it is sufficiently representative of the larger enterprises in the field to lend a great deal of interest to the trends reported so far this year. In January and February production of cigarettes fell definitely behind the high totals for the same months of 1937. Combined with a certain amount of uncertainty as to costs, the falling off in production appeared likely to be the beginning of a dip toward lower earnings by the more important companies. From March on, however, steady gains over last year have been recorded, and the cumulative total for the first six months shows

an increase of 2.37 per cent over the first half of 1937.

It is evident that although cigar demand is easily affected by reductions in consumer purchasing power (production of large cigars was off 7.32 per cent in the first half), the uptrend in the use of cigarettes still possesses sufficient virility to overcome ordinary recession influences. Furthermore, since costs may be reduced somewhat, the major units in the industry are more likely to report small increases in earnings this year than the opposite.

Position of Leading Food Stocks

Company	Earned Per Share 1937	Earned Per Share 1st 6 months 1937	Earned Per Share 1st 6 months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divds. Decl'd 1938	Market Rating	COMMENT
Armour & Co.	0.62a	NF	NF	7	3⅞	6	....	B-3	Policy of deferring dividends on preferred may be continued, although business outlook is better.
Beatrice Creamery	2.53c	0.34b	0.26b	18½	11⅜	18	1.25	B-3	Earnings and dividends should be relatively stable.
Beech-Nut Packing	6.26	2.77	2.54	115½	94½	115	3.75	B-3	June quarter showed improvement over preceding period, though below a year ago.
Borden	1.43	NF	NF	19⅝	15	17	0.70	B-3	Dividends will be paid on an "interim" basis in accordance with earnings.
California Packing	4.92c	....	2.87c	24½	15⅛	20	1.00	B-3	Present 25c quarterly rate is all that can be expected for the near future.
Continental Baking "A"	3.23	Nil d	1.62d	26⅞	8⅝	25	....	B-2	Accumulations on preferred may be settled soon, placing this stock in line to participate.
Corn Products Refining	2.52	1.37	1.65	69⅝	53	69	2.25	B-2	Full-year earnings should be well above a year ago, and should result in a generous dividend policy.
Cream of Wheat	2.00	0.97	0.70	25	21⅝	25	1.50	B-3	Position strong, but lower income raises question as to dividends at present rate.
Cudahy Packing	def. a	NF	NF	21⅝	12	19	....	B-3	Better profit margins expected to improve longer-term outlook, but common dividends are not imminent.
General Baking	0.50	0.14d	0.32d	11⅛	6½	11	0.20	B-2	Moderately higher earnings and dividends are probable.
General Foods	1.75	1.31	1.18	36¼	22⅞	35	1.00	B-2	Full-year earnings should exceed last year's since they will not be penalized by heavy inventory writedowns.
General Mills	4.46e	....	4.17e	68	50¾	68	2.25	B-3	Regular dividend rate should continue to be comfortably covered.
Hershey Chocolate	Nil	1.79	2.10	58	40	58	2.25	B-2	Inventory writedown of close to $4 millions in 1937 should not be repeated this year.
Loose-Wiles	1.01	0.63	0.47	22¼	14¾	20	0.55	B-2	Second quarter showed substantial improvement over preceding one and over second quarter of 1937.
Libby, McNeil & Libby	1.74c	....	0.89c	9	6	8	....	B-3	A modest dividend before the end of the year is probable.
Morrell, John	def. a	NF	NF	38⅛	22¼	38	....	B-3	Coming months should bring improvement in both volume and profit margins, but probably no dividends.
National Biscuit	1.61	0.33f	0.35f	25¼	15½	24	1.20	B-3	Lower raw material costs are contributing to steady expansion in earnings.
National Dairy	1.53	0.76	0.72	16½	11⅞	16	0.60	B-3	Income appears likely to permit the maintenance of the present $1.20 dividend rate.
Pacific-American Fisheries	1.71c	....	2.03c	11¼	6	8	0.45	B-3	Dividend normally payable in July was omitted; resumption may be delayed.
Penick & Ford	0.74	0.10	1.50	54¼	41	53	1.25	B-2	Lower costs permitted quadrupled profits in first quarter.
Pillsbury Flour	2.76e	....	def. e	25	20½	23	0.80	B-3	Small net profit was shown in latest fiscal year, before extraordinary charges.
Purity Bakeries	0.60	0.28g	0.60g	14¾	7	14	0.30	B-2	Earnings for 1938 will probably cover present dividend rate with good margin.
Snider Packing	2.68h	....	1.31h	13⅞	8⅜	11	0.75	B-3	Modified tax on undistributed profits will be an influence toward smaller dividends in proportion to earnings.
Standard Brands	0.73	0.44	0.30	9¼	6⅛	8	0.50	B-3	Earnings just covering current dividend rate and should continue to do approximately as well.
Stokely Bros.	2.12e	....	NF	11	5	9	....	B-4	Early resumption of dividends cannot be relied upon.
Swift & Co.	1.50a	NF	NF	19¼	15	19	0.90	B-3	Outlook as to both costs and sales volume has brightened, although improvement may not be immediately visible.
United Biscuit	1.90	0.50f	0.47f	19½	14⅝	17	0.65	B-2	Present 25c quarterly dividends appear reasonably dependable.
Ward Baking "A"	Nil	Nil	Nil	19¼	8	18	....	B-3	Earnings below preferred dividends by larger margin than a year ago and arrears are heavy, but some improvement is expected.
Wesson Oil & Snowdrift	3.80i	4.84j	2.71j	39	25¼	38	1.87½	B-2	Slightly lower sales volume without reductions in expenses has meant poorer results on the common stock.
Wilson & Co.	0.28a	NF	NF	5⅞	3	5	....	B-3	Earnings for current fiscal year are not likely to allow dividends on common, but longer outlook is more cheerful.

a—Fiscal year ended Oct. 30th. b—Quarter ended May 31st. c—Fiscal year ended about Feb. 28th. d—Six months ended about June 26th. e—Fiscal year ended May 31st. f—March quarter. g—Twenty-eight weeks ended July 16th. h—Fiscal year ended Mar. 31st. i—Fiscal year ended Aug. 31st. j—Nine months ended May 31st. NF—Not available.

Position of Leading Tobacco Stocks

Company	Earned Per Share 1937	Earned Per Share 1st 6 months 1937	Earned Per Share 1st 6 months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divds. Decl'd 1938	Market Rating	COMMENT
American Snuff	3.12	NF	NF	55¾	45¾	55	2.50	B-3	Stable earnings point to continuation of present dividend rate.
American Tobacco "B"	5.03	NF	NF	91	58¾	91	2.50	B-3	Sales understood to have been running "substantially" ahead of last year, and profit margins are probably better.
Axton-Fisher "A"	3.43	NF	NF	36½	13½	36	....	B-2	Profits in first quarter of 1938 were approximately equal to those for entire year 1937.
Helme, G. W.	6.00	NF	NF	95	80½	95	5.75	B-3	Business should continue stable and dividends generous.
Liggett & Myers "B"	6.34	NF	NF	103¾	81	103	2.00	B-3	Early 1938 trends have been toward favorable results for the full year.

(Continued on next page)

Position of Leading Tobacco Stocks *(Continued)*

Company	Earned Per Share 1937	1st 6 months 1937	1st 6 months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divds. Decl'd 1938	Market Rating	COMMENT
Lorillard, P.	0.85	NF	NF	21¼	13¾	20	0.60	B-3	Flood losses penalized last year's income to the extent of 57 cents a share.
Philip Morris	6.88a	....	10.91a	133	75¼	127	6.00	B-2	Upward trend in sales and earnings appears capable of further extension; dividends should be liberal.
Reynolds Tobacco "B"	2.76	NF	NF	46½	33¾	44	1.80	B-3	Camels appear to be holding their lead; regular 60c quarterly dividends may be supplemented by a small extra.
U. S. Tobacco (new)	1.80	NF	NF	36	29½	35	0.94½	B-3	Quarterly dividends of 32c on the new stock are dependable.
Universal Leaf Tobacco	7.82b	NF	NF	78	48	77	2.25	B-3	Strong financial position and outlook for sustained earnings should mean continued generous dividends.

a—Fiscal year ended March 31st. b—Fiscal year ended June 30th. NF—Not available.

Overproduction Burdens Liquors

With the consumption of liquors off 15 per cent or more this year, late reports of major distillers disclose a sharp decline in current earnings. Yet the earnings of these companies, by comparison with those of many another industrial organization, are still fairly impressive. The price-earnings ratio of representative liquor shares is exceptionally low, implying that the market looks with no little skepticism on the industry's prospects.

No single factor is responsible for the uncertainties in the outlook for the liquor industry, but rather a combination of unfavorable circumstances. Consumption has, of course, been curbed by the lower level of public purchasing power. Moreover, consumption has not been helped by the recent increase in prices, an increase made necessary in order to compensate for the advance of 25 cents a gallon to $2.25 in the Government excise tax. In every month but two since Repeal, production has exceeded consumption, and any industry which consistently produces more than it sells is bound to find itself in difficulties, sooner or later. In a substantial measure the liquor industry was justified in this policy, owing to the necessity of building up large supplies of aging whisky. But mounting supplies have created two problems, first, the need for tying up a substantial portion of working capital in inventories, which in turn forced distillers to borrow heavily from the banks and, second, supplies have now reached a point where they constitute a threat to the price structure. It has been reported that banks have been tightening up on their loans to distillers, thus automatically forcing curtailed production and liquidation of stocks on hand. While the bulk of the large whisky stocks are concentrated in the hands of those distillers best able to finance and carry them, any considerable dumping of stocks on the part of the smaller units could conceivably lead to serious price cutting.

Production in June was substantially under that of a year ago, while consumption was moderately higher than in June, 1937. The current upturn, however, was brought about by some forward stocking on the part of wholesalers and retailers in advance of the tax increase which became effective July 1. Consequently, the effect will be to restrict withdrawals in subsequent months until these supplies are exhausted.

Last year taxes on liquor contributed more than $1,000,000,000 to public treasuries and it is the heavy taxes borne by liquor which constitutes a lucrative margin of profit to the bootlegger. The illicit distiller still flourishes. Last year the Government seized 8,000,000 gallons of illegal spirits, but it has been estimated that this was only about 20 per cent of the bootleggers' production.

Imports, particularly Scotch and Canadian blended whiskies continue to mount in consumers' favor, particularly in the large urban centers, and it still remains to be seen whether domestic distillers will be able to swing the public taste away from imported brands to the native product when substantial supplies of aged whisky become available in the near future.

Position of Leading Liquor Stocks

COMPANY	Earned Per Share 1938	1st six months 1937	1st six months 1938	Pr.ce Range 1938 High	Pr.ce Range 1938 Low	Recent Price	Divs. Paid 1938	Market Rating	COMMENT
Distillers Corp.-Seagrams	3.95a	3.24b	3.09b	17⅜	11	17	1.00	B-3	Increasing output of domestic whisky should enable company to effect some reduction in costs. Further dividends expected.
National Distillers	3.86	1.37	1.36	26⅜	17¼	26	1.50	B-3	Company has advantage of large stocks of bonded liquor. Earnings may show some improvement in last half.
Hiram Walker-Gooderham & Worts	8.29c	6.69d	6.58d	45	30	44	2.00	B-3	Company's record better than average for industry. Should be able to pay a total of $4 a share this year.
Schenley Distillers	5.04	1.07	0.58	27½	14⅛	14	0.50	B-3	Has deferred dividends on common. Heavy bank borrowings and lower consumption unfavorable to early resumption of payments.

a—Fiscal year ended July 31. b—9 months to April 30. c—Fiscal year ended Aug. 31. d—9 months to May 31. E—Estimated.

Steel Operating Rate Continues to Rise

Nothing decisive has occurred in the steel industry since our comprehensive article in the last issue of The Magazine of Wall Street. At that time it was pointed out that there existed the probability that steel managements would swing first one way and then the other over the matter of wage reductions to offset the drastically lower prices which were recently put into effect. This is happening and, although it has been reported that wages have been cut in one or two small plants, there has been no concerted move in this direction. Unfortunately, it must be reported that the steel price structure is not yet on an even keel and, of course, the more quotations are shaded from their present low levels, the more likely becomes a general move to lower wages. With the automobile industry, however, doing so much better than expected, we are still of the opinion that if the steel industry can get past the next few weeks, the increased operating rate, which should then be effective, will eliminate the chances of serious upheaval either in wages or prices. A further increase in the operating rate is what is needed by the steel industry more than anything else at the present time. With this achieved, it should be possible to regain the ground lost in profit margins and as soon as this happens the matter of wages will take care of itself.

Position of Leading Steel Stocks

COMPANY	Earned Per Share 1937	1st six months 1937	1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Decl'd 1938 to date	Market Rating	COMMENT
Acme Steel	5.78	5.37	NF	52	28	40	0.75	C-2	25-cent dividend paid in June was half that distributed in previous quarter.
Allegheny Steel	2.10	1.72	def.	21¾	11⅝	18	....	C-2	Stockholders about to vote on plan to merge company with Ludlum Steel. Common dividends ceased in March.
American Rolling Mill	2.55	2.30	def.	22⅞	13⅛	20	....	C-2	Earnings prospect brighter, but dividends may not be resumed before next year.
★Bethlehem Steel	7.64	4.57	def.	65⅞	39¾	58	....	C-2	Doubtful that dividends on the common will be resumed this year. The longer term outlook, however, is promising.
Byers, A. M	def.	nil	def.E	13⅜	6	12	....	C-3	Large arrears on the 7 per cent preferred to be liquidated before the common can expect anything.
Colorado Fuel & Iron	2.18a	NF	def.aE	20	9⅛	17	....	C-3	Company is largely dependent on the prosperity of the railroads.
Continental Steel	3.20	2.23	NF	19½	10	17	....	C-2	Although the company took no action on the dividend normally payable in April, resumption is possible before the year-end.
Crucible Steel	5.21	5.03	NF	44⅜	19¼	37	....	C-2	Dividends now accumulating again on the preferred.
Granite City Steel	0.66	0.84	def.	18¼	10⅛	17	0.12½	C-2	No action taken on payment usually made in June. Stockholders, however, may receive something more before the year-end.
★Inland Steel	8.05	5.20	1.30	82	56¼	73	1.50	C-2	September dividend was 50 cents, same as that paid three months previously. Company is exceptionally well situated and should continue to pay in accordance with earning power.
Jones & Laughlin	1.18	4.13	def.	43½	21	31	....	C-3	Has paid nothing on the cumulative preferred this year and there are now large arrears which must be liquidated before the common can be paid anything.
Keystone Steel & Wire	1.53a	NF	0.56b	11⅜	6½	11	0.55	C-2	Demand for galvanized products bolstered by relatively well sustained rural purchasing power.
Ludlum Steel	2.25	1.81	def.	21¼	12½	18	0.25	C-2	Seeking stockholders' approval to merge with Allegheny. Consolidation has much to commend it.
McKeesport Tin Plate	1.26	1.06	NF	26⅛	13⅛	22	0.50	B-3	No action taken on dividend normally payable in April. Time of resumption is problematical.
National Steel	8.21	5.40	0.96	66¼	44¾	60	0.50	C-2	Modest payments of 25 cents quarterly would seem to be easily within the company's capacity.
Otis Steel	1.71	1.47	NF	12	6⅜	10	....	C-3	No action taken on preferred dividend due in September. Arrears, therefore, are now accumulating.
Republic Steel	1.14	0.88	def.	20⅞	11¼	19	....	C-2	Dividend now accumulating on the 6 per cent prior preference and the old 6 per cent convertible preferred.
Sharon Steel	2.83	2.71	def.E	20¾	10	17	....	C-2	May pay something before the end of the year.
Smith, A. O	0.03c	NF	def.d	20½	13	18	....	C-3	Should be helped by activity in the automobile industry on next year's models.
Superior Steel	2.11	1.80	def.	17¾	8¾	15	....	C-2	Company may be expected to benefit from increased and improved facilities should the demand for steel continue its upward trend.
U. S. Pipe & Foundry	3.21	1.95	NF	44⅜	21½	42	2.00	C-2	Dividends of 50 cents have been declared payable September and December.
★U. S. Steel	8.01	5.99	def.	63¼	38	60	....	C-2	Just declared regular quarterly on the preferred payable August 20. Earnings should show improvement soon.
Wheeling Steel	4.11	6.77	def.	27¾	14½	24	....	C-2	Near-term distributions on the common does not appear to be a likely prospect.
Youngstown Sheet & Tube	6.79	4.08	def.	43¾	24	38	....	C-2	Company is planning new financing to carry out improvement program in the Chicago District. Last payment on the common was made in December, 1937.

★—In our opinion, the better profit opportunities. NF—Not available. E—Estimated. a—Year to June 30. b—9 months to 3/31. c—Year to July 31. d—12 months to April 30.

Sugar Company Prospects Obscure

THE investor and would-be investor in sugar securities must realize that this is now an industry where the free interplay of economic forces has little, if anything, to do with profitable operations. So far as the American industry is concerned, control rests with Washington and a ten-second glimpse into the mind of Secretary of Agriculture Wallace would do the holder of sugar securities more good than a year's intensive study of the available statistics. Abroad, the International Sugar Council, representing twenty-five nations, acts to artificially restrict exports with a view to raising the world price of the commodity.

So far this year, sugar consumption in the United States has lagged importantly behind that of 1937. Early in June, taking notice of the changed situation, Secretary Wallace issued a revised estimate of consumer needs. The new estimate was 6,780,566 short tons—a reduction of more than 81,000 tons from last December's figure. Although prices firmed subsequent to the Secretary's action fixing marketing quotas in accordance with the revised estimate, it might have been more because of a rising stock market and strength in other commodities than owing to the belief that the cut in quotas was really sufficient.

While the stronger domestic beet producers, together with the units operating in our insular possessions, Hawaii and Puerto Rico, should continue profitable, earnings will be lower unless the Secretary of Agriculture reduces marketing quotas still further, or unless consumption should register further material gains over and above those of recent weeks. So far as the first of these possibilities is concerned, it is impossible to appraise the chances of its materializing. It is known, however, that Secretary Wallace is an advocate of relatively low sugar prices. When the quotation was around three cents a pound, duty free, he went on record to the effect that this was too high. While the marketing quotas *may* be reduced again, the possibility of an improved situation growing out of increased demand is perhaps the sounder hope. A great deal will depend upon the course of general business and the state of the public's purse during the canning season which has just commenced.

Just as the trade believes that the American quotas are still too large, so it is generally thought that the International Sugar Council in fixing the shipment quotas of sugar exporting countries for the year to August, 1939, has not succeeded in effecting sufficient reduction to bring about material price improvement. If this should prove to be a correct appraisal of the events which took place in London last month, it cannot be said that the outlook for Cuban and other producers which sell important quantities of sugar in world markets is much better than it was prior to the session of the International Council.

The position of mainland refiners of imported raws continues a difficult one. They are still waging an uphill fight against sugars refined abroad—a fight made none the easier by increasing costs and in some refineries considerable labor difficulty.

Unquestionably, the principal trouble with the sugar industry as a whole is that the world's productive capacity is more than can be absorbed. This is partly the results of derangements caused by the World War and partly the result of the nationalism which has pervaded the world since. With every country trying to become independent of the rest of the world for a supply of sugar and with restrictions, quotas, tariffs, bounties and subsidies piling folly on folly, the conservative investor will find few attractions among sugar securities.

Position of Leading Sugar Stocks

COMPANY	Earned Per Share 1937	1st six months 1937	1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Div's Decl'd 1938 to date	Market Rating	COMMENT
American Crystal Sugar	3.79a	NF	2.33a	16¾	8¼	13	0.75	B-3	No action taken on dividend normally payable during July. Larger beet acreage should help company's sales volume.
American Sugar Refining	2.20	NF	NF	31	21½	28	1.25	D-3	July dividend was 25 cents, against 50 cents paid in previous quarter. Long-term outlook continues somewhat obscure.
Central Aguirre Associates	3.95b	NF	NF	28	19⅝	20	0.75	B-3	Despite a measure of uncertainty surrounding the prospect, regular quarterly of 37½ cents appears to be reasonably well assured.
Cuban American Sugar	0.74c	NF	NF	6¼	3	5	....	D-3	Large arrears on the preferred still to be liquidated before the common can expect to receive anything.
Fajardo Sugar	5.42bd	NF	NF	34¼	22½	32	2.00	B-3	Some reduction in earnings expected for the fiscal year ending July 31, 1938. $1 dividend payable Sept. 1.
Great Western Sugar	3.52f	NF	3.08f	32	23½	27	2.70	B-3	Regular 60 cents quarterly should remain within the company's earning capacity.
Holly Sugar	5.42a	NF	1.69a	25¼	11⅝	17	2.00	B-3	Declines in the price of sugar are expected to be at least partially offset by a greater volume.
National Sugar Refining	1.22	NF	NF	18¼	10⅝	13	1.25	D-3	July dividend cut to 25 cents, against 50 cents paid previously. Prospects over the longer term are not clearly defined.
South Porto Rico Sugar	2.86c	NF	NF	28	16½	20	1.25	B-3	Latest quarterly dividend halved to 25 cents. The new and lower rate appears to be reasonably well assured.

NF—Not available. a—Year to March 31. b—Year to July 31. c—Year to Sept. 30. d—Before taxes. f—Year to Feb. 28.

Movie Improvement This Autumn

Although having no immediate bearing on the earnings prospects of leading motion picture producers, the recent action of the Department of Justice in filing an anti-trust suit against all major producing companies, their subsidiaries and officers, is of prime current interest. This turn of events, while lacking any element of surprise, it having been known for some time that the Government was opposed to several phases of the motion picture industry, has resulted in no little conjecture and speculation. The general assumption held both within and outside of the motion picture industry is that defendant companies have slight cause for fear should the Government win its suit.

The suit is regarded by both sides as being at least semi-friendly, with the objective of clarifying existing laws as they are applicable to the industry. The Government is applying for a court order which would compel producing units to divorce their exhibition activities and to rid themselves of the block booking system. The latter practice, the Government contends, restricts open competition by independent exhibitors in the sale of film.

Such doubts as have been expressed as to the possible effects, should the Government be successful in compelling producers to divest themselves of theater properties, have been concerned with the results upon the earnings of those companies controlling extensive theater properties. In the case of several producers, which have experienced difficulty in maintaining a high average of profitable feature productions, earnings were rendered timely aid by theater returns. Loss of theater properties by these companies would seem to mean that unless they were successful in raising their production standards earnings would suffer.

Paramount operates the largest number of theaters, about 1,200; Warner Bros., less than 500; R.K.O., 100, and Loew's, 190. Twentieth Century-Fox has a 42 per cent interest in National Theaters, with 350 units.

The actual mechanics of divorcing theater properties would seem to present no serious obstacle. Theaters might be transferred to subsidiary companies, the stock of which would be distributed to shareholders of the producing organization. In any event, some little time will be involved in the entire proceedings, and it is likely that producers will be given ample time with which to comply with the final outcome of the suit.

In the case of most producers earnings thus far this year have been running from a third to a half lower than a year ago. The decline in general business and increasing unemployment have cut into box office receipts. Moreover, producers have been compelled to absorb heavy amortization costs, incurred in the making of feature releases last fall and winter, when studio costs were at their peak. Economies have been introduced but their effect upon earnings will be delayed for several months yet. Despite the efforts to stimulate summer attendance by air conditioning, theater admissions this year are reflecting the dearth of the better type of feature pictures. Another factor which has cut into earnings is the sharp decline in film exports. In the first six months of this year exports declined nearly 4,000,000 linear feet, as compared with the same period a year ago. Foreign sales normally account for a very substantial portion of earnings.

Most of the industry's problems indicated above appear to be current and therefore likely to be appreciably modified along with any improvement in general business. In some respects, however, the industry seems shortsighted or indifferent to conditions which are readily apparent to almost everyone else. Well conceived feature productions should be the rule, not the exception; double feature programs are of questionable worth, particularly as they encourage the output of mediocre releases; and the industry is still too free-handed with its money in the wrong places.

Position of Leading Motion Picture Stocks

COMPANY	Earned Per Share 1937	Earned Per Share 1st six months 1937	Earned Per Share 1st six months 1938	Price Range 1938 High	Price Range 1938 Low	Recent Price	Divs. Paid 1938	Market Rating	COMMENT
Columbia Pictures	3.26a	....	0.81b	16½	19	14	0.50	B-3	May show a loss for the year to June 26. High amortization costs cut net. Economies may be effective. Stock dividend 2½% will be paid 9/16/38; cash payment deferred.
Consolidated Film	1.51c	0.95c	0.79Ec	1⅞	1	1½	....	B-3	Accumulated dividends on $2 preferred total $6.50 a share. Improvement in earnings may be delayed.
Loew's	8.46d	7.07f	4.80f	56¼	33	[illegible]0	1.[illegible]0	B-3	Company should continue to do better than the industry as a whole. Dividends well supported by earnings.
Paramount	1.97	1.55	0.25	13¼	5¾	11	....	B-3	Operates a large theatre chain which has been a vital factor in earnings. Production division lagging. Dividends not imminent.
Radio-Keith-Orpheum	NF	NF	NF	5⅜	1⅞	2¾	....	B-3	In process of reorganization. Earned $1,821,166 in 1937 vs. $2,485,911. Theatres chief support to earnings last year.
Technicolor	0.58	NF	0.85E	24½	14¼	25	0.50	B-2	Current business substantially ahead of last year. May earn $2 in all of 1938. Further dividends likely.
Twentieth Century-Fox	4.11	1.76	1.55	26⅞	16	25	1.00	B-3	Productions profitable. Has only indirect interest in theatres. Present $2 annual dividend appears reasonably secure.
Warner Brothers	1.48h	1.42g	0.80g	8	3¾	6½	....	B-3	Current net cut by higher costs, shortage of successful features and reduced theatre attendance. Owns about 400 theatres.

a—52 weeks ended June 26. b—9 months ended March 26. c—Earned on participating preferred shares. d—Year ended Aug. 31. E—Estimated. f—40 weeks ended June 9. g—39 weeks ended May 29. h—Year ended Aug. 28. NF—Not available.

N. Y. Retailers Will Cash In on World's Fair

Selected Issues Analyzed

BY C. HAMILTON OWEN

On April 30, 1939, the New York World's Fair will officially open. Unless something unforeseen intervenes New York City will probably have the greatest influx of visitors in its history. Not only will people come from all over the United States but from Canada, South America and Europe — and they will spend money, plenty of money, in New York City. Banks all over the country, even now, are conducting savings clubs, similar to the Christmas club, with depositors regularly putting away a specific sum against their planned trip to the World's Fair.

As a consequence, retail trade in the New York area will be given a tremendous lift. While this is a safe assumption, the experience of department stores and other retail outlets in Chicago during the Century of Progress Exhibition affords a reliable precedent. In June, 1933, the first month after the opening of the Chicago Fair, department store sales increased 12 per cent over June, 1932, while department store sales for the country as a whole in June, 1933, were off 4.5 per cent from the previous year. In every month from June, 1933, to February, 1934, Chicago stores recorded a larger percentage of gain than did national department store sales. During the second year of the Chicago Fair, Chicago department stores recorded larger increases in two of the five months, June to October, 1934. It is quite probable then that retail trade in New York City next year will follow a similar pattern. In fact gains may be even more pronounced if business generally is moving forward a year from now.

Various types of companies other than department stores will share substantially in World's Fair spending next year. These would include, for example, F. G. Shattuck and Childs Co., operating a chain of restaurants in New York City; Omnibus Corp. and Greyhound will doubtless handle a substantially larger volume of bus traffic; and many of the leading hotels have already reported heavy advance bookings, presaging perhaps considerable strengthening in the status of numerous realty bond issues.

All things considered, however, the shares of leading New York City department stores would appear to offer the most attractive mediums, through which to obtain a speculative investment stake in the New York World's Fair. In the first year of the Chicago Fair, more than 22,000,000 people attended and in the two years during which the Fair was open some $770,000,000 was spent in Chicago. Not only does it appear reasonably certain that the attendance at the New York World's Fair next year will surpass the Chicago figure, but the total spending power of visitors may be well in excess of $1,000,000,000. The prestige of New York department store merchandise may lead many people who are planning to attend the Fair to postpone purchases which ordinarily might be made closer to home until they arrive in New York. Of the huge sum likely to find its way to New York next year, department stores are likely to receive a substantial, if not the lion's, share. This possibility in terms of per-share earning power and market prospects lends considerable attraction to the shares of Best & Co., Gimbel Bros., Arnold Constable, Associated Dry Goods and Macy.

Best & Company

Best & Co. has the distinction of being one of the most capably managed retail organizations in the country. Its principal store, in the heart of the shopping district on 5th Avenue in New York City, specializes in men's, women's and children's wearing apparel, costume accessories and various novelties and secialties. Small branch units are operated in selected suburban communities and populous resorts. Both main and branch stores put special emphasis on smart styling and distinctive merchandise.

The present company has never shown a loss since it was incorporated in 1924, and sales, even at the depths of 1932, exceeded $11,000,000. Stockholders have received a dividend each year. Skillful merchandising and a comparatively rapid turn-over have enabled Best to show a larger margin of profit than the average department store. For each $1 of sales, the company saved 11.4 cents for net operating income in the fiscal year ended January 31, 1938, which compared with 12.5 cents in the 1937 fiscal period and 3.6 cents in 1932, the worst of the depression years.

Modestly capitalized, the company has been consistently able to show substantial earning power for its

common stock. The 300,000 shares outstanding are outranked by only $345,600 6 per cent preferred stock and a funded debt of $650,000.

Net sales in the last fiscal year were the largest in the company's history. The total of $16,192,549 was 8.3 per cent higher than in the previous fiscal period. Earnings, however, were cut moderately, owing to the necessity of absorbing heavier costs and net profit in the latest fiscal period of $1,227,680 was equal to $4.02 a share for the common stock, comparing with $4.21 a common share in the 1937 fiscal year. The strong financial position is a characteristic feature.

The company has issued no interim reports, but it is certain that sales and earnings have been adversely affected by the depression in general business and the lower level of public purchasing power. Dividends which were paid at the rate of 62½ cents quarterly last year and augmented by a 50-cent extra, were reduced to 40 cents quarterly last April. It is more than likely, however, that the falling off in volume and earnings will be short-lived. Specializing in the type of merchandise which the well-to-do visitor to the World's Fair next year is likely to be most interested in, Best & Co. would appear to be in an excellent position to "cash in" on that event. The common shares around 46 appear to combine investment appeal with well defined possibilities for price appreciation.

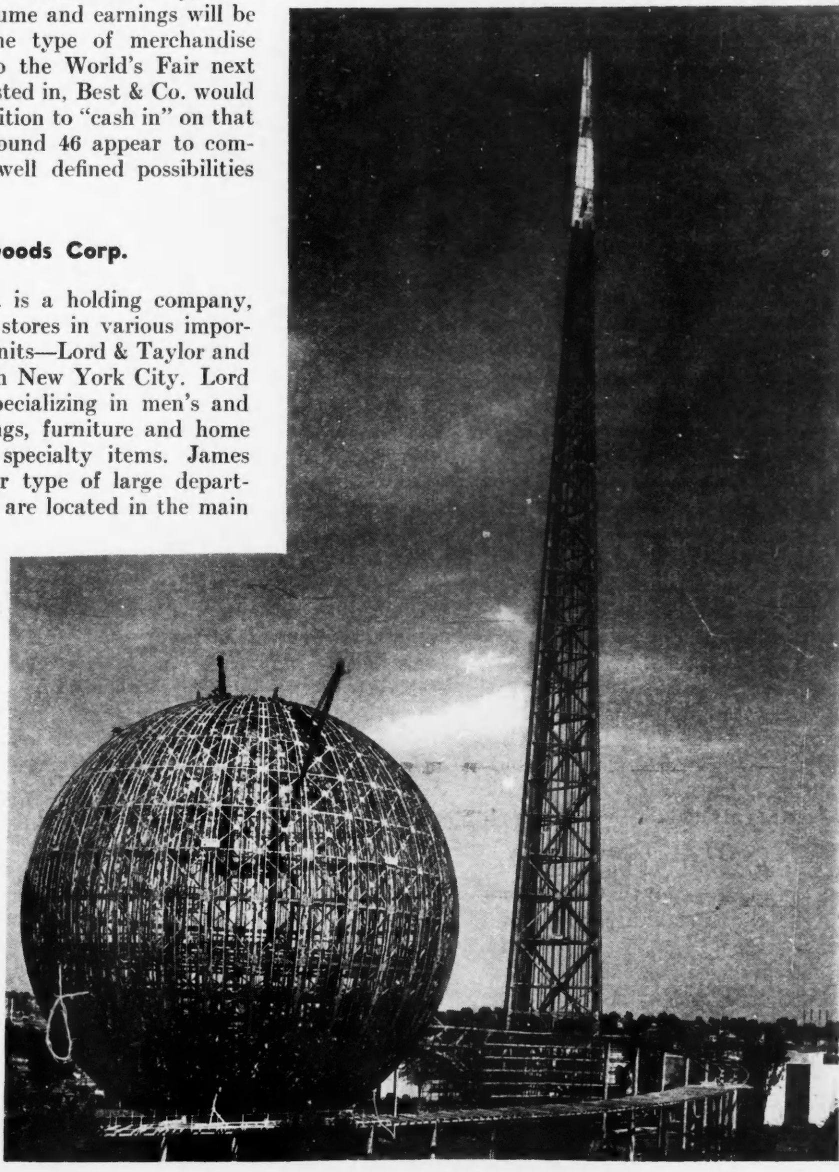
Associated Dry Goods Corp.

Associated Dry Goods Corp. is a holding company, owning eight large department stores in various important cities. Two of the major units—Lord & Taylor and James McCreery—are located in New York City. Lord & Taylor is a quality store, specializing in men's and women's clothing and furnishings, furniture and home decorations and miscellaneous specialty items. James McCreery operates the familiar type of large department store. Both organizations are located in the main shopping district. The Associated group is not a "chain," but a means of concentrating buying, management, and accounting activities in a single agency. Although sales and earnings suffered a substantial decline during the 1930-1933 depression, the company showed an operating loss only in the 1932 fiscal year.

In the fiscal year which ended January 29, 1938, profits declined to $1,215,535, against $1,701,433 in the preceding year. The later figure was equal to 85 cents a share on 590,940 shares of common stock, after allowing for dividends on the 1st and 2nd preferred shares. On the same basis, earnings in the latest fiscal period were equal to 2 cents per share of common. Capitalization is of 134,364 shares of 6 per cent 1st preferred and 56,901 shares of 7 per cent 2nd preferred, both issues of $100 par. Real estate mortgages in the amount of $5,000,000 were outstanding at the end of the last fiscal period. Regular dividends are being paid on the 1st preferred shares, and payments are being made on the 2nd preferred shares at the rate of $1.75 quarterly; accumulated arrears on the 7 per cent issue totalled $31.50 as of June 1, last.

Financial position is exceptionally strong. At the end of last January, current assets were in excess of $20,000,000 as compared with only $3,526,000 in current liabilities. Cash items totalled $5,360,000.

During the past year or more, the company has been engaged in a program of modernization, designed to improve customers' shopping facilities. Unfortunately, however, the recession in business and purchasing power intervened, but the contribution of these improvements should be more apparent in *(Please turn to page 535)*



For Profit and Income

Utilities Are Reminded of "Death Sentence"

One of the most bitterly contested features of the Public Utility Holding Co. Act was the "death sentence" clause which provided for the elimination of holding companies unless their operations provided in effect an integrated system. Three years ago when the Act was passed it must be admitted that there was reason to fear over-hasty action. The S E C, however, in administering the law has shown itself to possess a patience which has gained the confidence of many companies in the industry. Certain companies have actually filed with the Commission tentative plans for integration: others are known to have given the same subject real study. Thus, there can be no quarrel with the S E C's recent letter to sixty-six holding companies reminding them of its duties under the law and suggesting that they file plans, albeit tentative, given an outline of what they propose to do to meet the terms of the "death sentence" clause of the Holding Co. Act. More particularly is the letter reasonable when it is realized that integration is going to involve a good deal of buying, selling and swapping and that one company needs to know what several others propose before any progress at all may be expected. We suggest to holders of public utility holding company securities that there is now every reason for co-operation with the S E C, for integration under the Holding Company Act will bring no losses which have not been sustained already.

Facts, Rumor and Conjecture

National Steel is to spend $5,000,000 at Wierton, W. Va., for increasing its production facilities in the field of structural shapes and for the manufacture of rails of heavy section. Over the past few years we have become accustomed to makers of heavy steels going into light steels, but here is a predominently light steel company going into heavy steels. . . . So, the *investment trusts* are shown by recent purchases to favor *North American, American Gas & Electric* and *Niagara Hudson Power;* also, *Atchison* and *Chesapeake & Ohio.* This will be considered strange by those who feel that Government interference precludes any future for either the utilities or the rails. . . . The *German public* is going to be able to buy an automobile for a minimum payment of five marks weekly—the payment to cover garage, insurance and overhauling every three months. The full price will be 990 marks. Having been hearing for some time about Germany's shortage of raw materials, we wonder! . . . Although a loss was reported for the second quarter, following a loss in the first, *Commercial Solvents* suddenly became strong and active, apparently on the strength of the possibilities in a new lacquering process for automobiles. . . . No very brilliant showing is expected for the *meat packers* in the year ending next October, but it is believed that the groundwork is being laid for much improved results in the following year. Meat packing securities are currently not far from the year's high. . . . The recently reported unseasonal increase in *gasoline stocks* was a little disconcerting to those bullish on the oils. Unless there should be exceptionally heavy consumption this month, the size of gasoline stocks may wel be the cause of real anxiety. . . . The world scramble for gold and its attendant rising price abroad have again drawn marked attention to Canadian and American *gold stocks.* Both Homestake and Dome have recently made new highs with prospect of further advance under broadening demand.

Speculating in Warrants

Warrants are the right to buy a certain number of shares of stock, at a given price, within a given time. They are really long-term calls, sometimes the right of purchase being without time limit. Essentially speculative, their appeal lies in the smaller sum of money which has to be tied up in order to obtain a certain interest in a company. We make no specific recommendation of any warrant, for the reason that the right to purchase something at a price higher than the current market cannot be appraised, but some of them undoubtedly have interesting possibilities. Actively traded on the New York Curb Exchange are the warrants of the Atlas Corp. These are currently selling around $1 and represent a perpetual right to buy the common at $25 a share —the price presently being $8½. Baldwin Locomotive warrants, selling at $4, give one the right to buy

common at $15 until 1945—the present price being $10. Colorado Fuel & Iron common is currently selling for about $17, while the warrants to buy at $35 until 1950 can be bought for $6½. Then there are the warrants issued by International Paper & Power, Electric Power & Light, Niagara Hudson Power and a number of others. Some rather interesting warrants issued by the old United Aircraft & Transport Corp. are still outstanding, giving one the right to purchase an interest in United Aircraft, United Airlines and Boeing Airplane, but these particular warrants unfortunately expire November, next.

Helped by Better Automobile Outlook

The 1938-model year in the automobile industry is closing better than had been expected. The strong demand for cars in recent weeks has so lessened dealer stocks that there have been actual shortages of some styles in certain parts of the country. Hence, there is every reason to hope that 1939-models will be well received. Manufacturers, indeed, are sufficiently sure that their hopes will materialize that they are planning larger production schedules. Among the companies whose prospects have been much enhanced by these developments is Collins & Aikman which has concentrated upon the manufacturers of pile fabrics for automobile upholstery. It is also interested to some extent in household furnishings and drapings and the market here looks much better now than it did a short time ago. While Collins & Aikmans earnings are far from stable, it certainly makes money when the automobile industry is active. In the year to February 28, 1937, profits were equivalent to more than $8 a share of common and even for the year to February 28, 1938, almost $4 a share was reported. There was a loss in the quarter to May 28, last, but stocks today are not selling on the basis of first quarter losses. Rather, they are selling on what is likely to be shown for the fourth quarter and for next year. At $35 a share it is to be doubted that Collins & Aikman is over-discounting its prospects.

Costs and Profits

There has been a great deal of discussion over the matter of higher costs. One can point out that wages are at a permanently higher level and the same may be said of taxes and overhead expenses generally. Yet, while this is all unquestionably true as far as it goes, there is concrete evidence that there is something faulty in the argument that because of higher costs the outlook for profits is a dismal one. By and large, earnings statements for the second quarter afforded a pleasant surprise and the reason therefor was that costs were better controlled in the second quarter than they were in the first. In other words, the decline in gross business in the second quarter failed to affect profits as adversely as the same decline in the first three months of the year. The fact that many corporations managed to do the seemingly impossible augurs well for the future. It is axiomatic, of course, that when business picks up costs tend to lag and the result is larger profits and increased dividends for stockholders.

Developments in Companies Recently Discussed

Columbia Gas & Electric . . . Having been prevented by the S E C from declaring common dividends and with preferred dividends subject to the approval of the same body, this company is taking steps towards a bookkeeping reorganization which will create a capital surplus and relieve it of the necessity of being beholden to the S E C on these matters.

Celanese Corp. . . . Reported a net profit of $426,000 in the second quarter of the present year, compared with a net profit of $114,000 in the first quarter. Company reports a strong demand for yarn over recent weeks and feels that this foreshadows considerably increased business for the present half of the year. Rayon prices have recently been revised upwards.

American Telephone & Telegraph . . . The Bell System lost 6,850 stations during July against a loss of some 18,000 stations during June. Normally, July is a worse month than June, so that the actual showing made is taken to be an encouraging development.

Baltimore & Ohio . . . Through the R F C it was revealed that this road was expected to come forward shortly with a plan that would reduce fixed charges, presumably by getting the consent of bondholders to place certain junior issues on an "interest if earned" basis. B. & O., whose financial position is precarious, may be helped to the extent of $1,500,000 through the sale of the right of way of the old South Penn Railroad, which would then become part of the Harrisburg-Pittsburgh turnpike to be built with R F C and W P A money.

J. C. Penney . . . Made a relatively good showing with profits for the first half of the year equal to $1.85 a share of common stock, compared with $2.82 a share in the first half of 1937. It was said that store managers were expecting much improved business during the fall.

Philip Morris . . . With the stock selling around $130 a share, the directors of this company are understood to be considering a stock dividend or split-up. There are 519,151 shares of common outstanding and 1,000,000 authorized. Thus, a two-for-one split would not be possible without the authorization of stockholders but a 50 per cent stock dividend, for example, could be paid without a special meeting.

Technicolor . . . Officially stated that the company's business is growing rapidly. Serious study is being given to the possibility of setting up European plants.

Opportunities for Fall Recovery

Selected from Various Price Fields

BY EDWIN A. BARNES

Bower Roller Bearing Co.

In point of size, Bower Roller Bearing Co. is not large. The company's industrial importance, however, is well established, and it easily ranks as one of the leading manufacturers of roller bearings. Although among the company's customers are included a considerable number of industrial organizations, the automobile industry provides by far the largest outlet. Products are supplied to all of the leading manufacturers including Ford, Chrysler, General Motors, Studebaker, Packard. International Harvester, the leading manufacturer of farm implements and machinery, as well as a high ranking truck manufacturer, is also an important customer.

Prior to the current year, earnings of Bower Roller Bearing have recorded substantial gains, net last year having been the largest in the company's history. Even in 1932, at the depth of the depression, the company was able to show net profits of nearly $160,000 and paid $107,865 in cash dividends. In 1935, a 20 per cent stock dividend was paid and at the present time there is only a single class of stock outstanding, in the amount of 300,000 shares.

Applied to the outstanding stock, profits last year were equivalent to $4.06 per share comparing with $3.56 per share in 1936 and $2.80 a share in 1935. Last year, total dividends amounted to $3 a share, the largest distribution to stockholders in the company's history. Current assets as of December 31, 1937, including over $900,000 in cash and U. S. Treasury bills, amounted to over $2,405,848 while current liabilities were less than $700,000.

Being closely identified with the automobile industry, the company's current operations have reflected the severe slump in automobile production and sales. Net for the six months to June 30, totaled only $142,493, equal to 47 cents a share on the outstanding stock. This compares with $742,311 or $2.47 a share in the first half of 1937. Faced with sharply lower earnings, directors took no action on the dividend ordinarily payable in June. A payment of 50 cents a share was made last March.

The probabilities are that the worst of the decline in the company's earnings has been experienced. Recently, prospects for the automobile industry over the coming months have taken an appreciable turn for the better, manufacturers being encouraged by the improved business outlook and probable increase in public purchasing power. Any improvement in the condition of the automobile industry should find prompt reflection in the earnings of Bower Roller Bearing. This improved prospect has been acknowledged marketwise and at 25, the shares are selling practically at their high for the year. These levels, however, do not appear excessive in relation to the company's record of substantial earning power under more normal conditions, and suggest that commitments with the longer range prospect in mind should prove profitable both from the standpoint of price appreciation and potential income return.

Holland Furnace Company

Holland Furnace Co. distinguished itself both in the June quarter and the first six months of this year by reporting earnings ahead of the corresponding period a year ago. This accomplishment, when so many other companies were showing losses or greatly reduced earning power, reflects no small measure of credit upon its skillful management and aggressive sales technique.

The company is rated the world's largest manufacturer of warm-air furnaces, and in recent years has expanded its line to include air-conditioning equipment, oil burners, stokers and complementary lines. The company operates a fleet of some 350 power-driven vacuum cleaning units, utilized to remove soot and dust from furnaces, chimneys, etc. While the latter activity, in itself, is not important, it has frequently paved the way for important sales contacts. The latter is true, particularly as the company, while standing to benefit to some extent from increased home building, depends chiefly upon the installation of its equipment in homes already built. The recent introduction of a furnace retailing for $58.50 has materially broadened the company's market.

In the three months ended June 30, the company reported a net profit of $316,777 equal, after preferred dividends, to 65 cents a share for the common stock, and for the first six months of this year, profits of $127,365 or the equivalent of 16 cents a share, compared with net of $103,071 equal to 11 cents a share in the corresponding months of 1937. For all of 1937, net of $1,421,600 was equal to $2.90 a share, comparing with $2.89 a share on a smaller amount of stock in 1936.

Capitalization is modest, consisting of 93,510 shares of $5 convertible preferred stock and 450,232 shares of

common stock. Finances were in an exceptionally favorable position at the end of 1937. Current assets, including nearly $2,000,000 cash, amounted to $11,602,692 while current liabilities amounted to only $1,508,923.

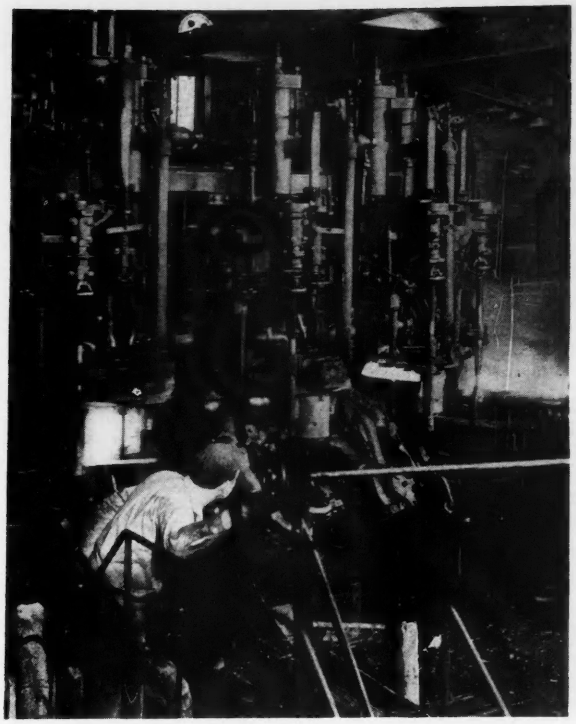
Thus far this year, the company has paid dividends of $1.50 and the probabilities are that for the full year payments will amount to at least $2 a share. Normally, earnings in the company's last half year are substantially better than in the early half and with building activity holding up surprisingly well, there appears to be ample reason to expect that this tendency will hold true currently. On a near term earnings basis, the shares, at 41, appear adequately priced, but looking ahead somewhat to more substantial earnings gains next year, the shares would appear to have well-founded speculative promise.

Owens-Illinois Glass Co.

Owens-Illinois Glass Co. has had an enviable record of profits, year in and year out—years of depression and years of prosperity—and an uninterrupted succession of dividends dating back to its formation in 1907. The company is rated the largest manufacturer of bottles in the United States. Further, the company is credited and identified with some of the most up-to-date uses to which glass is being applied. Present output includes not only all types of glass commercial containers, but a wide variety of service glasses, milk bottles, glass insulators, glass building blocks and glass fibre. The latter product, particularly, appears to hold out exceptional profits for profitable development. The products of Owens-Illinois Glass also include tin containers and tin novelties as well as a diversified variety of plastic closures. It has been estimated that the company manufactures about 45 per cent of the liquor bottles and about 40 per cent of bottles of all types used in the United States. At the most, the combined output of beer and liquor bottles, probably accounts for no more than a third of the total sales of all glass containers, while beer bottles are estimated to account for only 5 per cent. Thus, the company has not felt seriously such encroachments upon its field as have been made by the tin containers.

Net income last year totaled $9,351,627, including $1,055,972 cash received from the sale of patent rights and licenses. After provision for surtax on undistributed profits, net was equal to $3.51 a share on 2,661,204 shares of capital stock. The 1937 showing compared with net income of $10,099,131, including cash of $1,057,500 received from the sale of patent rights, or the equivalent of $3.79 a share on the number of shares now outstanding. The company's average profit margin is relatively low, which factor accounts for the failure of earnings last year to register a more impressive gain, with sales up nearly $13,000,000. Apparently, larger costs and a falling demand in the final quarter had a restricting effect upon net.

The company's latest statement covers the twelve months ended June 30, and revealed net income of $5,806,617 or the equivalent of $2.18 per share on 2,661,204 shares of common stock. This compares with $11,856,194, or $4.46 a share in the same period a year ago.



Courtesy Owens Illinois Glass Co.

A fifteen-arm automatic bottle-blowing machine in action.

The company's policy is to pay no fixed dividend but to adjust the rate to conform closely with earnings. It is significant, therefore, that following payments of 25 cents a share in February and May, the August dividend will be at the rate of 50 cents per share, suggesting that recent earnings have taken a turn for the better.

Among common stock issues, the shares of Owens-Illinois Glass may be credited with an element of investment quality. Recent levels around 72 compare with a 1937 high of 103¼ and in a period of sustained business recovery they may well again approach the latter figure.

Alpha Portland Cement Co.

Recently selling around 17, the shares of Alpha Portland Cement Co. must be frankly regarded as a speculation upon the sustained recovery of general business, and increased construction activities specifically. The company ranks among the five leading cement manufacturers and has nine plants strategically located with relation to important industrial centers east of the Mississippi River. Total capacity of these plants amounts to 12,500 000 barrels of cement annually.

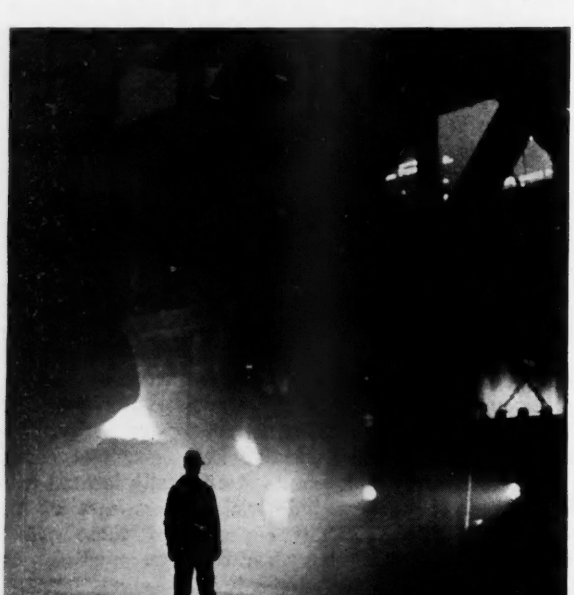
Earnings have reflected the instability characteristic of the cement industry and deficits were reported in the years 1931 to 1935, inclusive. Throughout this period, however, the company was able to maintain a wholly sound financial position. Last year, earnings were adversely affected by unfavorable price conditions in the cement industry. However, through the expedient of revising its policy with respect to depreciation reserves,

the company was able to show net income of $234,755, or the equivalent of 37 cents a share on the common stock. In 1936, net of $862,125 was equal to $1.34 a share, after the deduction of substantially higher depreciation charges. The company's latest report covers the twelve months period ended June 30, last, and revealed net profit of $9,977, or the equivalent of about 1 cent a share on the 639,500 shares of stock which comprise the entire capitalization. This latest showing compares with net of $690,980 or $1.07 a share on 644,600 shares in the corresponding period a year ago. Current assets at the end of last June, including some $4,700,000 cash and Government bonds, amounted to $6,634,371 while current liabilities were only slightly more than $600,000. Dividends thus far this year have been paid at the rate of 25 cents a share quarterly, but it is readily apparent that payments have been withdrawn from surplus.

Recently cement prices were advanced in New York and Boston and reduced in Philadelphia. Higher prices along the eastern seaboard, however, have again opened up the threat of possible large imports from Belgium and Denmark. In some quarters it is held that the cement industry may follow the suit of the steel industry and abandon the basing point system. If such is the case, companies with a large plant system scattered throughout important consuming centers would be most favorably situated. This would include Alpha Portland Cement.

Harbison-Walker Refractories

At least half, if not more, of the refractory material manufactured in the United States is consumed by the steel industry. Under the circumstances, anything affecting the steel industry promises to find prompt reflection in the operations of Harbison-Walker Refractories Co., the largest manufacturer of refractory materials.



Courtesy Carnegie-Illinois Steel Corp.

Blast furnaces such as the above must be lined with heat resistant refractory materials such as supplied by Harbison-Walker.

Coinciding more or less with steel activities, earnings of Harbison-Walker gained substantially in 1936, net in that year of $3,462,483 comparing with $1,805,668 in 1935. Last year net income totaled $3,131,595, the decline being almost directly the result of the downward trend in steel operations in the third and fourth quarters. Over a considerable period of time, it has been the company's experience that in a time of declining steel activities, earnings fall at a faster rate than those for the steel industry as a whole. Conversely, in a period of increasing steel activity, the company's earnings rise at a more rapid pace. This characteristic is important at a time such as the present, when the projected outlook for the steel industry features a gradually increasing rate of operations.

Capitalization of Harbison-Walker is made up of 30,000 shares of 6 per cent preferred stock, $100 par, and 1,358,883 shares of common stock. Based on the latter number of shares, earnings in 1937 were equal to $2.17, comparing with $2.41 a share in 1936. The slump in earnings which began in the third quarter of last year was continued in the initial quarter of 1938, and the company's net for that period of $142,500 was equal to 7 cents a share on the common stock. For the same period a year ago, profits were equal to 77 cents a share. The probabilities are that little, if any, improvement will be shown in the second quarter report. Last year, dividends amounting to $2 a share were paid to common shareholders, and two quarterly dividends of 25 cents a share have been paid this year. Action with respect to the September dividend, however, was deferred.

Earlier this year, refractory prices were cut about 8 per cent and in the face of the sharp reduction in steel prices, it is possible that some pressure may be brought against the present price structure of refractory materials. Nevertheless, the shares of Harbison-Walker would appear to be a profitable medium for obtaining an indirect stake in the steel industry. Earnings of the company may be expected to do as well if not better than the average steel enterprise, and the shares may be credited with a corresponding measure of speculative promise.

Congoleum-Nairn Co., Inc.

Manufacturing a wide diversity of various grades and types of felt-base floor covering and linoleum, Congoleum-Nairn is one of the leading units in its field. Notwithstanding the rapidly changing conditions in the past eight years, the company's record has been an impressive one. Profits were shown for common stockholders in each year of the depression; the company retired its preferred stock; the number of outstanding common shares was reduced; and finances were adequately husbanded.

In 1932, profits equivalent to 50 cents a share were earned, followed by $1.66 a share in 1933, $1.71 in 1934, $1.82 in 1935 and $2.05 a (*Please turn to page* 536)

The Investment Clinic

Discussing:—Cyclical Appreciation, Inflation Hedges, Rail Bonds

Conducted by J. S. WILLIAMS

A Greater Stake in the Business Cycle

A reader has the following question which apparently is of rather general interest: *"Various informed friends have told me that my holdings while safe so far as income is concerned are concentrated too much in staid things that will show me too little gain over the next year. I am fortunately in a position to let a part of my capital ride with the market, although I am not looking for the outright gambling class of stocks. Can you help me by suggesting a few that will have a good chance of moving as business gets better, yet are not apt to go bankrupt if my guess on business is wrong?"*

A number of companies suggest themselves as filling these needs. Taking them by industries, among the motors and tires are U. S. Rubber and General Motors, both strong, well-managed, and progressing in their fields. Steel and allied industries offer excellent chances for investment for cyclical swings—U. S. Steel, Inland Steel and General Refractories seem attractive. American Radiator, Johns-Manville and U. S. Gypsum stand out in the building field, Caterpillar Tractor and International Harvester among the farm equipments. An aircraft manufacturer such as Douglas or United Aircraft would be a logical addition to the list, as well as a chemical company like Union Carbide, and perhaps Westinghouse Electric for representation in electrical equipment. Investment in anticipation of prosperity would hardly be complete without at least one copper producer chosen from among Anaconda, Kennecott and International Nickel. With a portion of her funds invested in from six to ten of the suggested issues, Mrs. R. B. M. could feel certain of sharing in whatever business improvement is to occur.

Protection Against a Higher Price Level

Another typical inquiry runs in part: *"The more I study the trend of Government finances and the various policies of the New Deal the more I fear a vigorous inflationary movement sooner or later. Whether it is called monetary inflation or credit inflation I care not; the principal thing is I see a terrific price rise and want to protect myself against it. Please give me a list of stocks to hold with this in mind. I don't care if I have to hold them for two or three years, or longer."*

The subject of common stocks as hedges against inflation is a very controversial one. Experience in other nations after the war is frequently cited to prove the inadequacy of such protection, yet it must be admitted that inflation in the shape of a moderate rise in general living costs will help certain companies and harm others. Purely on a relative basis, the list of common stocks shown in the accompanying list should make satisfactory holdings during any period of mild inflation. It contains three oil producers, two non-ferrous metals, two gold stocks, and one each of steel, sulphur, and paper. The one common characteristic is ownership of large natural resources, preferably in a form easily stored. The reasonable assumption is that rising prices would enhance the value of these companies' assets and would widen their profit margins considerably, with allowance for higher labor costs and other charges. It happens that a number of the issues named are attractive on a basis of prospective earnings entirely aside from their hedging function. The list is therefore deserving of attention whether or not one is committed to the inflation viewpoint.

Common Stock Inflation Hedges

Amerada Corp.
Anaconda Copper
Creole Petroleum
Dome Mines
International Nickel
International Paper
Lake Shore Mines
Texas Gulf Sulphur
Texas Pacific Land Trust
U. S. Steel

Second-Grade Rail Bonds

There has been a partial lifting of the clouds over the railroad situation, and it has brought renewed interest to the bonds of better-known carriers selling at large discounts. An inquiry along this line runs: *"I have been told that with any sort of a business pickup from here on there is a good chance that railroad earnings will match last year's.* *(Please turn to page 540)*

Preferred Stocks for Income and Price Appreciation

Selected Lists of Attractive Issues for Investment and Speculative Commitments

BY STANLEY DEVLIN

A STRICTLY orthodox view must recognize that preferred stocks are a "hybrid" investment medium. It is argued that a preferred stock does not afford the investor the protection of a bond, yet most preferred stocks provide only for a fixed return. In times of industrial stress, dividends on preferred stock can be deferred but when times are good, it is the exceptional preferred issue which carries any provision for holders to participate in earnings. To that extent, therefore, the preferred stockholder assumes a risk comparable to that of the common stockholder without the latter's promise of compensating profit.

Nevertheless, there are actually quite a number of preferred stocks which command a higher investment rating than many medium and second grade bonds. There is also a sizable group of preferred stocks which offer reasonable assurance of sustained dividend payments and which on the basis of a seasoned record invite investment confidence. For the investor compelled to place primary emphasis upon income, there is no practical reason to disregard the opportunities to be found among selected preferred stocks. Preferred stocks are not a stable medium but fluctuate with changing business and market conditions—but so do bonds for that matter. For the investor seeking income somewhat higher than average, however, stability may not be vital to the point of justifying the payment of a premium for it. Accompanying this discussion is a selected list of medium grade preferred stocks currently obtainable on a basis to yield an attractive return and involving no more than a reasonable investment risk.

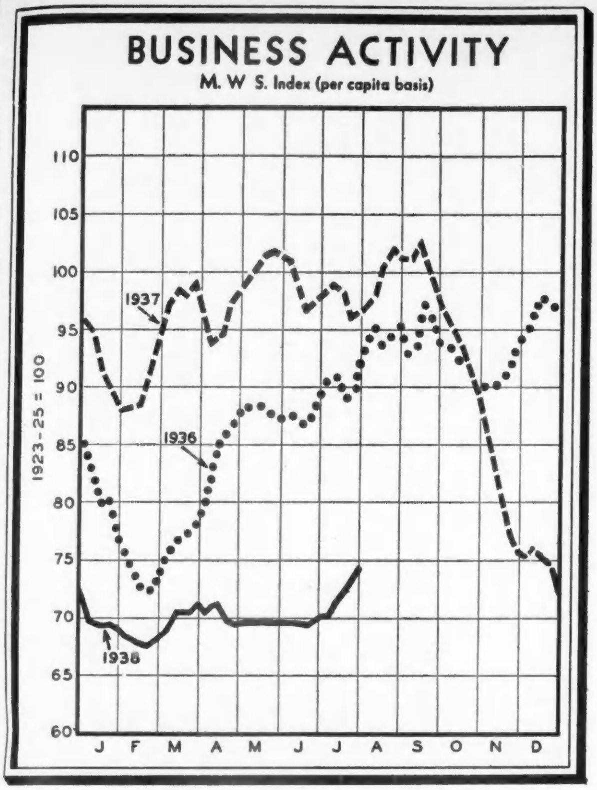
It will be recalled that during the period of rising security prices from 1933 to 1937, that some of the most spectacular gains were scored by preferred stocks—preferred stocks which for the most part paid no dividends and which were frankly speculative. Many of these issues subsequently resumed dividends and liquidated arrears. With the market and business prospects again in the ascendancy, it may prove timely and profitable to explore the possibilities among speculative preferred stocks. Many speculative preferreds have already recorded substantial price gains. Yet prevailing quotations for many of the more promising issues in this group are still sufficiently below last year's highs to invite favorable speculative consideration. The selected group of such issues compiled for this discussion represents companies which might be logically expected to participate prominently in any general business recovery, and to an extent which would materially enhance the value of their preferred stock issues.

Preferred Stocks for Income

Issue	1938 Price Range High	Low	Recent Price	Yield %
Shell Union Oil 5½%	105	93	105	5.2
Bethlehem Steel 5%	16½	12¾	16	6.2
Food Machinery 4½% Conv	103	85	102	4.4
Household Finance 5%	100	83½	98	5.2
Radio Corp. 3½%	58	37¼	57	6.1
Twentieth Century-Fox $1.50	38	25⅛	34	4.4
Tide-Water Assoc. Oil 4½%	98	77½	96	4.6
Westvaco Chlorine $1.50	20⅛	10	19	7.8
Pure Oil 5%	88	74½	86	5.8
Continental Baking 8%	103½	65½	100	8.0

Attractive Speculative Preferred Stocks

Issue	Price Range 1937 High	Low	Price Range 1938 High	Low	Recent Price
Armour of Ill. $6 Prior Pfd	99½	57	72	28¼	55
Amer. Car & Foundry 7% Pfd	104½	36	53	27	49
Jones & Laughlin 7% Pfd	136	64¾	78	49¾	64
Crucible Steel 7% Pfd	135	80	94½	70	85
Int'l Paper & Power 5% Pfd	68½	29½	47⅜	18⅝	43
General Cable 7% Pfd	126⅝	66	72	35	69
Associated Dry Goods 7% 2nd Pfd	125	83	72½	56	71
B. F. Goodrich 5% Pfd	87¾	46	61⅛	32	56
Celotex Corp. 5% Pfd	82½	52	72½	46	70
Republic Steel Conv. 6%	124	65	75½	39½	60



HIGHLIGHTS

INDUSTRY—Recovery continues at Summer tempo. Motor outlook brightens.

TRADE—Sales retarded temporarily by poor shopping weather.

COMMODITIES—Generally steady; grains lower.

MONEY AND CREDIT—Bank deposits expanding. Foreign currencies weaken.

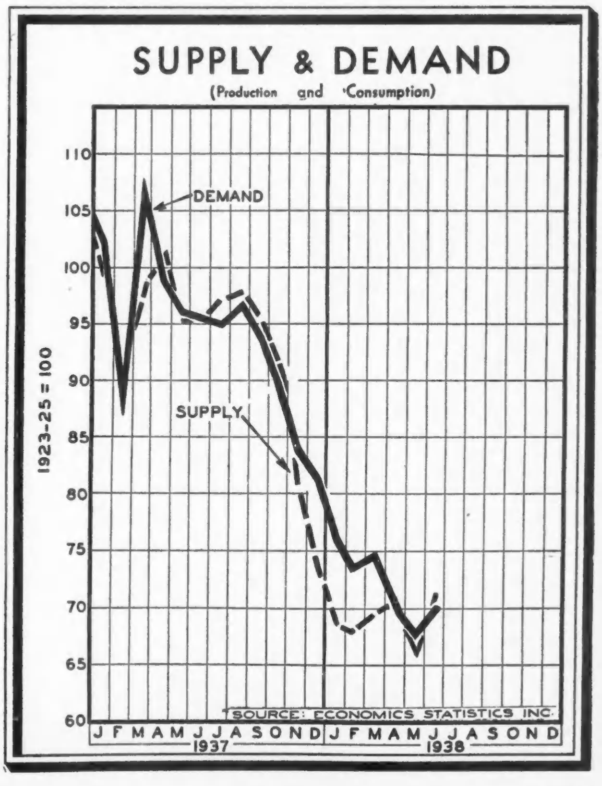
The Business Analyst

Owing mainly to a greater than normal seasonal dip in Automobile Assemblies and Check Payments during the past fortnight, the pace at which **Business Activity** was expanding has slackened temporarily after an improvement of about 8% from the depression low touched in February. There is nothing, however, in this brief mid-summer pause to dampen the prospects for further substantial recovery. It is particularly encouraging to find that, although new wealth created during June (according to our Business Activity Index) amounted to only 71.2% of the **National Income Produced** a year earlier, there was a decline of less than 12% in the **National Income Paid Out** for that month, and a shrinkage of only 8% during the half year.

* * *

Farm Income, including benefit payments, was about 11.4% below last year for both June and the half year. **Factory Employment** at mid-June was 24% below last year, with **Factory Payrolls** off 33% owing to work spreading. Total earnings of 206 industrial companies for the second quarter, though 70% below the like period of 1937, were 12% ahead of the first quarter. Total Dividends declared in July were 32% below last year, compared with a cumulative drop of 24% for seven months.

(Please turn to next page)



Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	May	89.1	89.8	112.1
U. S. A. (ba)	July	80(pl)	77	114
Canada	May	95.5	97.0	107.1
United Kingdom	May	109.8	111.4	119.9
France	May	......	71.7	82.7
Germany	May	126.5	124.6	117.6
WHOLESALE PRICES (h)	June	78.0	78.1	87.2
COST OF LIVING (d)				
All items	June	86.7	86.5	88.9
Food	June	81.9	80.8	88.2
Housing	June	86.7	87.0	86.6
Clothing	June	73.9	74.5	76.9
Fuel and Light	June	83.7	83.7	83.7
Sundries	June	97.5	97.6	96.8
Purchasing value of dollar	June	115.3	115.6	112.5
NATIONAL INCOME (cm)†	June	5,248	4,883	5,951
CASH FARM INCOME†				
Farm Marketing	June	$514	$510	$604
Including Gov't Payments	June	559	550	631
Total, First 6 Months	1938	3,340	......	3,833
Prices Received by Farmers (ee)	June	92	92	124
Prices Paid by Farmers (ee)	June	124	125	134
Ratio: Prices Received to Prices Paid (ee)	June	74	74	93
FACTORY EMPLOYMENT (f)				
Durable Goods	June	65.1	67.2	97.8
Non-durable Goods	June	88.0	88.6	105.3
FACTORY PAYROLLS (f) (not adjusted)	June	67.0	69.2	102.9
RETAIL TRADE				
Department Store Sales (f)	June	81	78	93
Chain Store Sales (g)	June	105.5	103.3	114.0
Variety Store Sales (g)	June	110.0	106.1	120.0
Rural Retail Sales (j)	June	112.4	110.1	124.4
Retail Prices (s) as of	June 1	89.5	90.2	95.6
FOREIGN TRADE				
Merchandise Imports†	June	$145.9	$148.3	$286.2
Cumulative year's total† to	June 30	961.0	815.3	1,683.4
Exports†	June	232.7	257.2	265.3
Cumulative year's total† to	June 30	1,592.1	1,359.5	1,536.6
RAILROAD EARNINGS				
Total Operating Revenues★	1st 6 ms.	$1,638,408	......	$2,086,873
Total Operating Expenditures★	1st 6 ms.	1,331,962	......	1,558,570
Taxes★	1st 6 ms.	169,662	......	163,997
Net Rwy. Operating Income★	1st 6 ms.	70,289	......	299,466
Operating Ratio %	1st 6 ms.	81.40	......	74.68
Rate of Return %	1st 6 ms.	0.67	......	2.84
BUILDING Contract Awards (k)				
Total†	June	$251.0	$283.2	$317.8
Residential†	June	85.7	83.2	93.0
Public Works and Utility†	June	83.5	122.2	98.9
Non-Residential†	June	81.8	77.8	125.9
Publicly Financed†	June	143.2	143.6	137.5
Privately Financed†	June	107.8	139.6	180.3
Building Permits (c)				
214 Cities†	June	$65.2	$63.6	$82.8
New York City†	June	22.4	14.0	11.9
Total, U. S.†	June	87.6	77.6	94.7
Engineering Contracts (En)†	July	$223.3	$223.0	$260.0
CONSTRUCTION COST INDEX (En) 1913—100	Aug. 1	232.39	233.10	240.65

PRESENT POSITION AND OUTLOOK

(Continued from page 521)

Secretary Wallace makes an interesting contribution to the national debt question by pointing out that while the Federal debt has been expanding, private debts have been reduced at an even faster pace, with the net result that total debts in the U. S. today are some six billions less than in 1930, with an even greater percentage reduction in interest charges. This reveals a dearth of private expenditures for expansion which goes far to explain the present predicament of industry.

* * *

According to the most recent data available, **raw material prices** are now 22% below last year, **wholesale prices** are down 11%, **retail prices** 7%, and **living costs** 4.5%. **Prices received by farmers** are 24% lower than last year, while **prices paid by farmers** are off only 7%. Owing largely to rainy weather in the eastern part of the country, **department store sales** for week ended July 23 were 12% below last year, compared with a four weeks' decline of only 9%. In the Richmond and Minneapolis districts, sales are around last year's levels. **Wholesale trade** in June was 16% below last year, compared with a six months' decline of 15%.

* * *

With **car loadings** currently running about 24% below last year, Class I **railroads** in June reported aggregate gross operating revenues nearly 20% under last year and net operating income of around $25,000,000, compared with $59,000,000 a year ago. For six months, gross totaled $1,636,000,000, a decrease of 22% from last year, and n. o. i. of $70,000,000 against $299,000,000 for the first six months of 1937. For the first time during any month this year, the Carriers in July are estimated to have approximately covered charges. This would compare with a $15,000,000 deficit in June and income of $19,000,000 for July, 1937. Western roads intend to continue the present low passenger fares, believing that they have increased traffic and serve to protect the carriers from competition by private automobiles.

* * *

Engineering construction awards for week ended July 28 were 3% above the like period of 1937, compared with a cumulative decrease of 2% from the first of the year to date. Private awards for the week were 31% below last year. PWA has allotted more than $800,000,000 on its 1938 program, and the Rural Electrification Administration (REA) plans to commit the whole of its available $140,000,000 within the current fiscal year. According to the Bureau of Labor, Building Material Prices at wholesale on July 23 were 3.5% lower than on Jan. 1, but, as pointed out recently by Pres. I. J. Harvey of the Flintkote Co., building costs in terms of relative values, after allowance for new comforts which go into the modern home, are much lower than in 1926. Average **rent rates** are fractionally above last year.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	June	1,638	1,807	4,185
Pig Iron Production in tons★	June	1,062	1,255	3,108
Shipments, U. S. Steel in tons★	June	478,057	465,081	1,268,550
AUTOMOBILES				
Production				
Factory Sales	June	174,667	192,068	497,312
Total 1st 6 Months	June	1,103,074	......	2,788,298
Retail Sales				
Passenger Cars, U. S. (p)	June	156,393	178,060	360,236
Trucks, U. S. (p)	June	30,000(pl)	32,956	58,628
INVENTORIES (f)				
Manufactured Goods	June	124	123	109
Raw Materials	June	146	153	91
Dept. Store Stocks	May	69	69	76
LIQUOR (Whisky)				
Production, Gals.★	June	4,715	7,667	15,980
Withdrawn, Gals.★	June	5,175	5,088	4,492
Stocks, Gals.★	June	471,160	472,151	445,286
GENERAL				
Machine Tool Orders (f)	June	70.2	66.7	191.8
Railway Equipment Orders (Ry)				
Locomotive	June	33	5	22
Freight Cars	June	1,034	6,124	528
Passenger Cars	June	None	55	10
Cigarette Production†	June	14,717	14,324	14,260
Bituminous Coal Production★ (tons)	July	23,460(pl)	22,470	31,990
Boot and Shoe Production Prs.★	June	26,677	30,314	34,449
Portland Cement Shipments★	June	10,932	9,752	12,645
COMMERCIAL FAILURES (c)	June	1,018	1,053	670

PRESENT POSITION AND OUTLOOK

Recently expanding retail sales of **automobiles,** coming at a time when field inventories of both new and used cars have been allowed to drop far below normal, have set the stage for an actual shortage of supply this autumn; so that the majority of motor car producers expect to close assembly lines earlier than originally planned in order to bring out new models by the first of September. The outlook is further brightened by the circumstance that recent model cars now in use form no greater proportion of the total than in 1933.

* * *

Cigarette deliveries in June were 3.2% above last year, against a six months' gain of 2.37%. July sales by retail **liquor** package stores were about 15% below the like month of 1937. During the fiscal year ended June 30, **whisky** production amounted to 103,000,000 tax gallons, against 223,000,000 the previous year. Tax-paid winthdrawals amounted to 68,600,000 gallons, a decrease of 3.5%. Stocks on June 30 came to 471,000,000 gallons, up 5.6%.

* * *

According to Department of Commerce estimates, commodity **inventories** on June 30 were 38% greater than a year earlier, with manufactured goods up 14% and raw materials showing an increase of 60%.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	July 30	2,094	2,085	2,256
TRANSPORTATION				
Carloadings, total	July 30	588,703	580,882	779,091
Grain	July 30	50,711	53,350	51,255
Coal and Coke	July 30	104,152	97,462	128,823
Forest Products	July 30	27,875	26,777	42,526
Manufacturing & Miscellaneous	July 30	224,131	223,771	304,564
L. C. L. Mdse	July 30	147,924	142,216	166,975
STEEL PRICES				
Pig Iron $ per ton (m)	Aug. 2	19.61	19.61	23.25
Scrap $ per ton (m)	Aug. 2	14.33	14.08	20.42
Finished c per lb. (m)	Aug. 2	2.30	2.30	2.512
STEEL OPERATIONS				
% of Capacity (m) week ended	Aug. 6	40.0	38.0	84.0
CAPITAL GOODS ACTIVITY (m) week ended	July 30	50.2	49.8	96.4
PETROLEUM				
Average Daily Production bbls.★	July 30	3,316	3,349	3,592
Crude Runs to Stills Avge. bbls.★	July 30	3,240	3,180	3,380
Total Gasoline Stocks bbls.★	July 30	76,864	76,366	70,504
Gas and Fuel Oil Stocks bbls.★	July 30	144,294	143,041	107,600
Crude—Mid-Cont. $ per bbl	Aug. 6	1.22	1.22	1.27
Crude—Pennsylvania $ per bbl	Aug. 6	1.40	1.40	2.35
Gasoline—Refinery $ per gal	Aug. 6	.06¾	.06⅞	.07⅝

PRESENT POSITION AND OUTLOOK

The margin of decline in **electric power output** below last year has narrowed to around 7%. May gas sales were 0.7% above May, 1937, against a five months' gain of only 0.5%. May revenues from gas sales were 3.5% below last year, compared with a five months' decrease of only 2.5%. The SEC has asked Utility Holding Companies to have plans for integration of the industry ready before the year end. Competition in the near future from Government financed municipal power plants is not expected to be extensive.

* * *

The **steel operating rate** is now close to 40% of capacity, a new high for the year and up 54% from the year's low. Automobile demand for steel to be used in the new models, which is expected to appear around mid-August, should cause a further sharp expansion in operations. It is possible that the industry may be in the black during the fourth quarter.

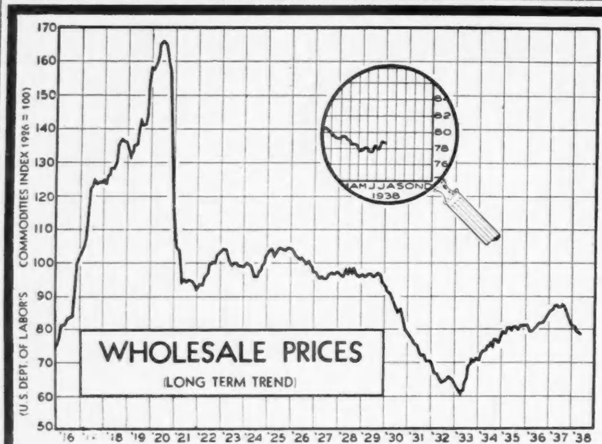
* * *

In view of the circumstance that **gasoline** stocks are still nearly 11% higher than last, in face of only a 1% increase in consumption, the Texas Railroad Commission has decided to continue Sunday shut-downs in **crude oil** production throughout the month of August. Stocks of fuel oil, at 31% above last year, are still excessive.

†—Millions. ★—Thousands. (b)—Annalist Index 1928—100. (ba)—Federal Reserve 1923-25—100. (c)—Dun & Bradstreet's. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (j)—Adjusted—1929-31—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (p)—R. L. Polk & Co.'s Estimate. (pl)—Preliminary. (s)—Fairchild Index, Dec., 1930—100. (En)—Engineering News Record. (Ry)—Railway Age.

Trend of Commodities

Commodity prices, as a whole, have moved lower over the past week without however displaying any evidence of selling pressure. Easiness has been most conspicuous in the price structure of agricultural commodities and foodstuffs, while the metal list has displayed noteworthy firmness. Price trends in the leading grains reflect prospective large supplies, much larger than normal demand. The loan program of the A A A tends to stifle trading interest. Firmness in industrial commodities stems from the growing confidence in general business revival. Evidence continues to accumulate substantiating the sustained progress in liquidating top-heavy inventories. A representative group of seventy manufacturing companies on June 30 showed a reduction of 21.1 per cent in inventories since the end of last year. Pending renewed buying interest, commodity prices may continue to mark time within a comparatively narrow range.



Changes in Major Commodity Price Group for the Fortnight Ended July 30, 1938

Farm Products	68.6	down 2.1	Metals	95.4	up 0.1
Foods	74.1	down 0.3	Building Material	89.2	down 0.1
Hides and Leather	92.5	up 0.4	Chemical	77.0	down 0.1
Textiles	65.7	no change	Housefurnishings	87.9	down 0.1
Fuel and Lighting	77.3	down 0.1			

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COTTON				
Price cents per pound, closing				
October	Aug. 6	8.43	8.62	10.88
December	Aug. 6	8.49	8.70	10.78
Spot	Aug. 6	8.53	8.72	11.24
(In bales 000's)				
Visible Supply, World	Aug. 5	7,721	7,892	4,352
Takings, World, wk. end	Aug. 5	333	257	224
Total Takings, season Aug. 1 to	Aug. 5	264	......	162
Consumption, U. S.	June	443	426	681
Exports, wk. end	Aug. 5	46	35	27
Total Exports, season Aug. 1 to	Aug. 5	29	......	25
Government Crop Est	Aug. 1	11,988	......	18,946(e)
Active Spindles (000's)	June	21,144	21,342	24,558
WHEAT				
Price cents per bu. Chi. closing				
September	Aug. 6	64⅞	67⅝	112¾
December	Aug. 6	66¾	69½	113¼
Exports bu. (000's) since July 1 to	July 30	13,589	10,553	11,078
Exports bu. (000's) wk. end	July 30	3,036	5,178	2,527
Visible Supply bu. (000's) as of	July 30	91,439	81,126	......
Gov't Crop Est. bu. (000's)	July 1	967,412	......	873,993(e)
CORN				
Price cents per bu. Chi. closing				
September	Aug. 6	52⅞	56⅝	29⅝
December	Aug. 6	50⅞	53¾	30½
Exports bu. (000's) since July 1 to	July 30	15,500	10,740	None
Visible Supply bu. (000's) as of	July 30	16,660	18,209	......
Gov't Crop Est. bu. (000's)	July 1	2,482,000	......	2,644,995(e)

PRESENT POSITION AND OUTLOOK

Cotton. Latest private estimates of the current crop range from 10,572,000 bales to 11,800,000 bales. These compare with the latest Government estimate of 11,988,000 bales and the 1936-37 crop of 18,946,000 bales. World consumption of American cotton during the 1937-38 season will total about 11,000,000 bales, nearly 2,000,000 bales less than the previous season and 15 per cent under the average for the five years ended 1936-37. The world carry-over of American cotton on August 1, was approximately 13,500,000 bales, a new record high. Last year the carry-over was 6,200,000 bales.

* * *

Wheat. If recent private estimates prove reasonably accurate, the current wheat crop will fall about 64,000,000 bushels short of the billion bushels being forecast several months ago. Government estimates may indicate a larger crop than those of private estimators but in any event it appears certain that wheat will continue under the restricting influence of an unbalanced supply-demand situation. Even technical rallies are likely to encounter resistance in the form of Government loans, which have the effect of virtually placing a ceiling on prices.

* * *

Corn. Prices have weakened and farmers certain to vote on crop quotas. Private estimates indicate a possible crop of 2,525,000,000 bushels, or about 220,000,000 bushels above the 1927-36 average.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COPPER				
Price cents per lb.				
Domestic	Aug. 6	10.125	10.125	14.00
Export c. i. f.	Aug. 6	10.375	10.42½	......
Refined Prod., Domestic (tons)	June	32,465	47,300	86,016
Refined Del., Domestic (tons)	June	32,863	28,044	77,725
Refined Stocks, Domestic (tons)	June	358,971	369,809	111,020
Refined Prod., World (tons)	June	142,532	144,344	199,999
Refined Del., World (tons)	June	145,393	136,567	191,002
Refined Stocks, World (tons)	June	551,495	554,356	300,445
TIN				
Price cents per lb., N. Y.	Aug. 6	43.50	44.25	58.75
Tin Plate, price $ per box	Aug. 6	5.35	5.35	5.35
World Visible Supply†	July 1	27,512	19,660	22,439
U. S. Deliveries†	June	4,205	4,275	6,645
U. S. Visible Supply†	June 1	10,864	11,120	13,240
LEAD				
Price cents per lb., N. Y.	Aug. 6	4.90	4.90	6.00
U. S. Production (tons)	June	35,028	32,977	40,156
U. S. Shipments (tons)	June	35,343	26,011	42,710
Stocks (tons) U. S., as of	June	163,346	163,723	113,370
ZINC				
Price cents per lb., St. Louis	Aug. 6	4.75	4.75	7.00
U. S. Production (tons)	July	30,362	30,799	49,181
U. S. Shipments (tons)	July	33,825	29,248	40,701
Stocks (tons) U. S., as of	July	146,208	149,671	13,561
SILK				
Price $ per lb. Japan xx crack	Aug. 6	1.73-1.78	1.79-1.84	1.85-1.90
Mill Dels. U. S. (bales), season to	June 30	380,480	......	483,742
Mill Deliveries U. S. (bales)	June	31,492	28,687	35,730
Visible Stocks N. Y. (bales) as of	June 30	44,457	......	45,556
Visible Stocks, World (bales) as of	June 30	124,257	......	130,256
RAYON (Yarn)				
Price cents per lb	Aug. 6	51.0	51.0	63.0
Deliveries (a)	July	843	473	697
All Rayon—Month's Supply	July 31	3.1	3.9	0.2
WOOL				
Price cents per lb. territory fine	Aug. 6	68-70	68-70	101-103
HIDES				
Price cents per lb. hvy. native Chi.	Aug. 6	11.50	11.50	17.0
Visible Stocks (000's) (b) as of	June 30	13,932	13,874	15,296
No. of Mos. Supply as of	July 1	8.9	8.2	7.8
RUBBER				
Price cents per lb	Aug. 6	16.0625	16.125	18.50
Imports, U. S.†	June	26,011	27,410	48,956
Consumption, U. S.†	June	30,629	28,947	51,860
Stocks U. S. as of	June	294,566	299,720	172,056
Tire Production (000's)	June	3,112	2,842	5,339
Tire Shipments (000's)	June	4,025	3,372	5,389
Tire Inventory (000's) as of	June	8,812	9,855	12,529
COFFEE				
Price cents per lb. (c)	Aug. 6	7.75	7.50	11.50
Imports (bags 000's)	July	1,185	1,095	891
Imports, season to	June 30	12,366	......	12,467
U. S. Visible Supply (bags 000's)	July 1	1,418	1,299	1,496
SUGAR				
Price cents per lb.				
Domestic No. 3 Sept	Aug. 6	1.83	1.81	2.55
Duty free delivered	Aug. 6	2.75	2.75	3.45
Refined (Immediate Shipment)	Aug. 6	4.30	4.50	4.69
U. S. Deliveries (000's)*	1st 6 ms.	2,881	......	3,317
U. S. Stocks (000's)* as of	June 30	1,651	......	1,445

PRESENT POSITION AND OUTLOOK

Copper. Prices hold firm at 10⅛ cents. Domestic bookings thus far in August have been light in comparison with the activity last month. Advance estimates presage a further improvement in the statistical position of copper when July figures are released. It is expected that the domestic position will show the greatest improvement with the foreign position virtually unchanged.

* * *

Tin. Thus far the buffer pool has had little apparent success in stabilizing prices. Prices have declined during the past week and buying has been light. World stocks increased 1,204 tons during June and on July 1 were 15.1 per cent of consumption during the past twelve months.

* * *

Lead. Demand has been more active. September bookings have been sizable and well diversified industrially. July statistics likely to show a further reduction in stocks.

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Zinc. Prices are holding firm and may possibly work higher in the near future. Demand has turned dull but there is no lack of interest, particularly in forward booking, but producers prefer to turn down these orders, hoping to obtain better prices later on.

* * *

Silk. Consumption in July failed to come up to previous expectations. Mill takings although more than 1,000 bales above June, the total of 32,593 fell considerably short of the anticipated figure of 34,000 bales. As a result prices declined but subsequently rallied moderately.

* * *

Rayon. Although buying of rayon yarn was heavy in anticipation of recent price advances of 2 to 3 cents a pound, the trade looks for further price increases in the near future and in anticipation continues to place sizable forward orders.

* * *

Wool. Consumption in June again increased, for the second successive month. Retailers are displaying renewed buying interest and the prospect favors sustained mill activity.

* * *

Hides. Price changes for the most part continue to follow stock market sentiment. Stocks increased moderately in June but remain at a comparatively low level. Stocks of finished leather in all hands continued to decline.

* * *

Rubber. Prices rose moderately following the failure of the International Rubber Regulation Committee to take any action on raising fourth quarter quotas. The next meeting is scheduled for September 12. June tire statistics were quite encouraging. Domestic tire inventories at the end of June were the lowest since September, 1936.

* * *

Coffee. Prices have rallied and are selling about 1 cent above the extreme lows of late last year. Reports that the crop in Brazil will not be as large or as good in quality as had been expected encouraged higher quotations.

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Sugar. Interest has focused on a price war which has broken out among refiners, at the height of the heavy consuming season. First half consumption was disappointing but has recently turned up. A quota revision more nearly in line with consumption is sorely needed to bolster prices and save refiners from inventory losses.

(a)—Expressed in % (1923-25—100). (c)—Santos No. 4 N. Y. (e)—1937 Harvest. †—Long tons. *—Short tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	Aug. 6	1¼%	1¼%	1¼%
Prime Commercial Paper	Aug. 6	¾%	¾%	¾ %
Call Money	Aug. 6	1%	1%	1 %
Re-discount Rate, N. Y.	Aug. 6	1%	1%	1½%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	July 23	2,318	2,442	2,644
Cumulative year's total	July 23	66,501	......	78,114
Bank Clearings, N. Y.	July 23	3,152	3,521	3,371
Cumulative year's total	July 23	92,023	......	111,810
F. R. Member Banks				
Loans and Investments	July 27	20,556	20,618	22,283
Commercial, Agr., Ind. Loans	July 27	3,869	3,878	4,425
Brokers Loans	July 27	595	623	1,363
Invest. in U. S. Gov'ts	July 27	7,659	7,696	8,283
Invest. in Gov't Gtd. Securities	July 27	1,640	1,622	1,188
Other Securities	July 27	3,096	3,092	3,028
Demand Deposits	July 27	15,160	15,127	15,033
Time Deposits	July 27	5,200	5,208	5,268
New York City Member Banks				
Total Loans and Invest.	Aug. 3	7,488	7,490	8,428
Comm'l, Ind. and Agr. Loans	Aug. 3	1,443	1,450	1,741
Invest. U. S. Gov'ts dir. & gtd	Aug. 3	3,559	3,557	3,424
Demand Deposits	Aug. 3	6,188	6,278	5,978
Time Deposits	Aug. 3	637	645	732
Federal Reserve Banks				
Member Bank Reserve Balance	Aug. 3	8,074	8,188	6,636
Money in Circulation	Aug. 3	6,465	6,416	6,468
Gold Stock	Aug. 3	13,025	13,002	12,462
Treasury Currency	Aug. 3	2,721	2,719	2,572
Treasury Cash	Aug. 3	2,357	2,328	3,605
Excess Reserves	Aug. 3	2,920	3,040	700

NEW FINANCING (millions of $)		Latest Month	Last Month	Year Ago
Corporate	July	$180.6	$294.0	$139.9
New Capital	July	129.0	199.0	81.7
Refunding	July	51.6	95.0	58.2
Government	July	444.3	1,673.2	350.3
Refunding	July	400.6	1,638.8	200.3
Addition to Debt	July	43.7	34.4	150.0

COMMENT

The latest statement of the **Federal Reserve Banks** revealed a decline of $120,000,000 in excess reserves, which are now $230,000,000 under their July 13 peak. The downward trend in excess reserves has for the most part been the result of Treasury policies. During the past several weeks the Treasury has acquired more funds than it has disbursed. The Treasury balance with Reserve banks has risen $147,000,000 in the past three weeks. Increased currency circulation to meet month-end requirements also contributed to the reduction in reserves. A net decline of $2,000,000 in total loans and investments was shown in the latest statement of **New York City Member Banks,** which was entirely accounted for by a similar reduction in loan portfolios. Direct Government holdings declined $9,000,000 in the New York area, but with the Treasury once again raising new money, the probabilities are that the downward trend in this class of investments will be reversed in the near future. Member banks outside of New York City also reported a decline in loans and investments. Bank deposits have shown little or no change for several weeks but a fairly sustained rise is foreshadowed by the potential effect of the revised Treasury policies and he increasing urge on the part of the banks to add to their security portfolios.

* * *

Although the volume of new financing declined in July, of particular significance was the fact that the proportion of new capital raised was the largest in a long time. August promises to record a substantial gain in the volume of financing and new issues aggregating at least $300,000,000 are planned. Indications are that the trend from now to the end of the year, at least, will be upward.

POSITION OF FOREIGN BANKS

	Aug. 3, 1938	Aug. 4, 1937
BANK OF ENGLAND		
Circulation	£497,783,000	£503,877,000
Public Deposits	9,490,000	9,800,000
Private Deposits	148,165,000	132,486,000
Bankers Accounts	113,424,000	95,491,000
Other Accounts	34,741,000	36,995,000
Government Securities	114,671,000	110,205,000
Other Securities	31,388,000	26,591,000
Discount and Advances	9,607,000	6,445,000
Securities	21,781,000	20,146,000
Reserve Notes & Coin	29,729,000	23,644,000
Coin and Bullion	327,542,000	327,521,000
BANK OF FRANCE	July 29, 1938	July 30, 1937
Gold Holdings	Fr.55,808,000,000	Fr.55,677,000,000
Credit Balances Abroad	765,000,000	14,000,000
Bills on France	7,132,000,000	9,822,000,000
Wheat Office Bills	89,000,000	....
Advance Against Securities	3,544,000,000	4,064,000,000
Note Circulation	101,116,000,000	89,307,000,000
Credit Current Accounts	17,342,000,000	18,375,000,000
Temp. Advs. to State	40,133,000,000	23,886,000,000
Gold on Hand to Sight Liabilities	47.11%	51.70%

COMMENT

The weakness in sterling and demand for gold has featured the London situation over the past fortnight. Fuller comment on these developments will be found elsewhere in this section. Thus far business in Great Britain has yet to take a turn for the better. Business sentiment, however, remains hopeful of some improvement this fall. Rumors of difficulty in reaching a satisfactory agreement on the British-American trade treaty are unsubstantiated and have apparently given way to the belief that the treaty will be followed by both war debt and currency agreements.

* * *

With business conditions in France showing no improvement, it is becoming more and more obvious that steps must be taken to adjust existing labor laws in such a manner as to relieve industry of the heavy burden of increased costs. Industrial output is lagging despite the heavy rearmament program. Steel production in June totaled 480,000 tons, compared with 687,000 tons a year ago. Recent reports imply a growing willingness on the part of both industry and labor to adjust their problems amicably.

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	July 30, 1938	July 31, 1937
Gold and Bullion	Rm.70,773,000	Rm.69,111,000
Of Which Deposits Abroad	20,293,000	19,359,000
Reserve in Foreign Currency	5,206,000	5,844,000
Bills of Exchange & Checks	6,264,216,000	5,344,989,000
Investments	848,509,000	403,356,000
Other Assets	1,149,069,000	734,218,000
Notes in Circulation	6,649,500,000	5,111,635,000
Other Daily Matured Obligations	919,802,000	732,156,000
Other Liabilities	286,837,000	248,973,000
Proportion of Gold & Foreign Currency to Note Circulation	1.14%	1.46%

Emphasizing the difficulty which Germany is having in its huge public works program, is the recent increase of 30% to 40% in corporation taxes. It is estimated that the increased tax will yield 500,000,000 marks annually, bringing the total corporate yield up to 2,000,000,000 marks yearly. Aside from the problem of obtaining sufficient funds to finance the program, other difficulties have been encountered in the form of rising material costs and a shortage of skilled labor.

* * *

BANK OF CANADA	Aug. 3, 1938	Aug. 4, 1937
Reserve Gold, Coin & Bullion	$180,696,000	$179,492,000
Silver Bullion	....	2,521,000
Reserve in Sterl. & U. S. Dollars	24,870,000	21,992,000
Subsidiary Coin	335,000	183,000
Dom. & Prov. Gov't Short Term Securities	118,329,000	36,211,000
Other Dom. & Prov. Securities	52,379,000	94,807,000
Other Securities	....	9,994,000
Note Circulation	158,260,000	141,374,000
Deposits—Dom. Gov't	14,595,000	21,483,000
Chartered Banks	196,573,000	178,386,000
Res. to Note & Dep. Liabilities	55.21%	59.64%

The relationship between business conditions in Canada and the United States remains unchanged in favor of the former. General industrial activity is only about 5% under that of a year ago. Retail sales are about 7% under last year and employment is gaining. Dividend payments in August will be substantially larger than for the same month a year ago. Prospects continue to favor a large harvest.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.

Country and Par	Demand Aug. 5	Demand Year Ago	Cables Aug. 5	Cables Year Ago
Great Britain ($8.2397 a sov.)	4.89⅝	4.98½	4.89⅝	4.98½
Belgium (16.9502c a belga)	16.92½	16.83¾	16.92½	16.83¾
Czechoslovakia (3.51c a crown)	3.45½	3.49	3.45½	3.49
Denmark (45.374c a krone)	21.86	22.26	21.86	22.26
Finland (4.264c a finmark)	2.16⅝	2.21	2.16⅝	2.21
France (par not definite)	2.74⅝	3.75⅛	2.74⅝	3.75⅛
Germany (40.33c a mark)**	40.13	40.23	40.13	40.23
Germany (benevolent mark)	20.25	.....	20.25	.....
Germany (travel mark)	22.75	27.00	22.75	27.00
Germany (emigrant mark)	3.92½	.....	3.92½	.....
Germany (kredit mark)	4.87½	.....	4.87½	.....
Greece (2.197c a drachma)	0.89⅞	0.91⅜	0.90	0.91½
Holland (par not definite)	54.64	55.15½	54.64	55.15½
Italy (5.2634c a lira)§	5.26¼	5.26¼	5.26¼	5.26¼
Norway (45.374c a krone)	24.60½	25.05	24.60½	25.05
Poland (18.994c a zloty)	18.86	18.95	18.86	18.95
Rumania (1.012c a leu)	0.75	0.75	0.75	0.75
Spain (Burgos peseta)†	10.00	8.50	10.00	8.50
Sweden (45.374c a krona)	25.24½	25.70	25.24½	25.70
Switzerland (par not definite)	22.87¾	22.97½	22.87¾	22.97½
Yugoslavia (2.981c a dinar)	2.33	2.33	2.33	2.33
Shanghai dollars (unsettled)	16.60	29.60	16.60	29.60
Hongkong dollars (unsettled)	30.63	31.00	30.63	31.00
India (61.798c a rupee)	36.60	37.65	36.60	37.65
Japan (84.39c a yen)	28.54	29.05	28.54	29.05
Sts. Settlements (96.139c a dollar)	57.20	58.56¼	57.20	58.56¼
Argentina (71.87c a paper peso)¶	26.10	30.30	26.10	30.30
Argentina (71.87c a paper peso)**	32.65	33.23	32.65	33.23
Brazil (20.25c a paper milreis)**	5.90	6.72	5.90	6.72
Chile (20.599c a gold peso)†	5.19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	56.26	56.90	56.26	56.90
Mexico, peso (unsettled)†	20.25	27.80	20.25	27.80
Peru (47.409c a sol)†	22.60	25.75	22.60	25.75
Uruguay ($1.751 a gold peso)¶	42.50	60.00	42.50	60.00
Uruguay ($1.751 a gold peso)**†	64.45	79.05	64.45	79.05
Venezuela (32.67c a bolivar)¶	31.62½	32.00	31.62½	32.00
Venezuela (32.67c a bolivar)**	31.62½	......	31.62½	.....

COMMENT

The decline in the pound sterling, French francs and Dutch guilders accompanied by heavy demand for gold released a flood of rumors. Uneasiness over the prospect of war was perhaps the most ready explanation, on the theory that August, with the harvest in, would be a crucial month in the European political situation. Doubtless war fears were responsible for the urgent demand for gold, particularly gold coins for which buyers were willing to pay a sizable premium. Actually, however, there are other reasons back of sterling weakness, which would appear more valid. For one thing the marked deterioration in the British export trade has naturally restricted the demand for pounds. Earlier this year there were unconfirmed reports that British authorities would permit the pound to decline to its former dollar parity—$4.87—for the purpose of increasing the nation's export advantage. More recently these reports have given way to the belief that French, British and United States authorities have under consideration a plan for war debt settlement and stabilization of currencies. Credence is given to these rumors by the presence of Secretary of the Treasury Morgenthau in Paris and the numerous conferences which he has had with French Treasury officials. Conclusion of the British-American trade treaty may be the first step in that direction.

* * *

The early stabilization of the Argentine peso to sterling has been predicted by Dr. Alejandro Bunge, leading Argentine economist. Currently the peso is pegged to sterling but it is expected that it will be placed on a legal basis. The tie-up is logical inasmuch as one-third of Argentina's international trade is with Great Britain, with the balance heavily in favor of Argentina.

†—Nominal quotations. ¶—Free rate. **—Official rate. §—Travel Lira 4.75c.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1937 Indexes High	1937 Indexes Low	No. of Issues (1925 Close—100)	1938 Indexes High	1938 Indexes Low	July 23	July 30	Aug. 6
122.0	54.3	330 COMBINED AVERAGE	70.9	44.2	70.9h	68.5	70.2
253.3	111.4	5 Agricultural Implements..	133.9	94.0	133.9h	127.2	126.3
72.6	34.0	6 Amusements...........	42.6	24.7	42.6h	40.4	40.9
146.6	52.1	16 Automobile Accessories.	80.0	43.1	77.4	78.6	80.0h
30.1	8.9	12 Automobiles...........	13.2	7.0	12.6	12.8	13.2h
178.0	73.4	9 Aviation (1927 Cl.—100)	122.2	75.2	122.2h	114.4	118.7
28.5	9.3	3 Baking (1926 Cl.—100)..	16.1	8.9	15.6	16.1h	15.5
308.6	135.4	3 Business Machines.......	203.3	120.2	196.5	199.0	203.3h
247.7	132.6	9 Chemicals..............	166.9	111.6	162.9	162.2	166.9h
88.3	32.9	18 Construction	48.2	25.6	48.2h	45.1	46.6
361.0	193.4	5 Containers..............	242.6	173.8	242.0	233.5	242.6h
217.3	75.3	9 Copper & Brass.........	111.3	60.0	108.6	106.1	111.3h
43.0	24.5	2 Dairy Products..........	28.0	23.1	27.1	27.2	27.3
42.7	15.2	9 Departent Stores........	25.8	12.2	25.8h	24.1	25.8
108.8	45.2	9 Drugs & Toilet Articles...	56.4	40.1	56.4h	53.7	54.4
388.4	182.6	2 Finance Companies......	283.0	158.1	264.4	271.3	283.0h
71.9	37.5	7 Food Brands............	50.2	33.3	49.9	48.7	49.5
53.2	25.9	4 Food Stores............	30.2	20.5	28.4	28.3	28.4
122.3	46.4	4 Furniture & Floor Covering	65.4	36.9	65.4h	61.7	64.4
1160.6	894.0	3 Gold Mining...........	1258.7	953.7	1217.3	1227.2	1258.7h
58.6	25.8	6 Investment Trusts........	32.1	21.1	32.1h	30.9	31.7
317.8	167.2	4 Liquor (1932 Cl.—100)..	194.2	140.7	193.2	191.8	194.0
209.8	97.8	9 Machinery.............	126.9	77.6	126.6	120.0	126.9h
104.3	53.8	2 Mail Order............	80.0	49.1	77.8	76.8	80.0h
109.6	47.5	4 Meat Packing...........	56.5	36.5	56.5h	53.2	53.5
334.1	138.6	15 Metals, non-Ferrous......	182.6	116.0	182.6h	173.5	175.0
26.5	7.4	2 Paper.................	11.6	5.8	11.6h	10.6	11.3
158.8	90.8	23 Petroleum..............	113.0	76.2	113.0h	110.8	111.1
114.9	50.5	18 Public Utilities..........	60.1	38.8	58.8	54.8	55.2
31.7	13.3	4 Radio (1927 Cl.—100)...	17.7	10.3	17.6	17.7h	17.7
112.9	37.7	9 Railroad Equipment......	49.4	28.2	49.4h	45.9	47.3
48.6	16.2	23 Railroads...............	18.6	10.6	18.3	16.8	17.4
28.5	6.9	3 Realty.................	9.5	4.7	8.9	8.6	8.5
87.6	34.9	3 Shipbuilding............	62.6	36.1	60.4	54.9	56.8
165.6	69.6	13 Steel & Iron............	85.8	55.2	84.7	81.3	84.2
45.2	21.6	6 Sugar.................	25.7	17.4	25.1	23.3	23.0
171.2	118.6	2 Sulphur...............	169.1	118.6	159.7	157.0	169.1h
85.3	43.2	3 Telephone & Telegraph...	57.4	37.6	57.2	55.2	55.4
91.8	35.3	7 Textiles...............	49.7	27.9	48.3	47.5	49.7h
29.2	10.7	4 Tires & Rubber..........	18.2	10.0	17.0	16.8	18.2h
99.4	68.3	4 Tobacco...............	84.3	63.8	83.7	83.3	84.3h
71.9	20.6	5 Traction................	33.1	15.6	31.7	33.1h	32.5
346.8	157.7	4 Variety Stores..........	221.5	146.0	218.5	214.7	221.5h
.....	.....	22 Unclassified (1937 Cl.—100)...............	134.0	84.7	134.0h	129.3	132.3

h—New HIGH this year.

DAILY INDEX OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, July 25.....	72.14	144.91	30.14	103.94	102.29	2,106,500
Tuesday, July 26.....	71.88	143.33	29.67	102.11	100.87	1,252,470
Wednesday, July 27..	71.38	140.24	28.28	101.63	98.14	1,973,440
Thursday, July 28.....	71.62	142.20	28.54	100.50	98.38	1,065,630
Friday, July 29.......	71.72	141.20	28.44	101.07	99.25	1,204,240
Saturday, July 30.....	71.76	141.25	28.45	99.82	99.19	358,940
Monday, Aug. 1.....	71.57	140.37	28.15	99.06	98.21	586,510
Tuesday, Aug. 2.....	71.65	141.97	28.33	99.82	98.06	817,640
Wednesday, Aug. 3...	71.40	141.73	28.05	100.14	98.92	817,160
Thursday, Aug. 4.....	71.19	142.13	28.16	99.84	98.77	609,600
Friday, Aug. 5.......	71.40	144.47	29.28	101.81	99.61	1,169,940
Saturday, Aug. 6.....	71.62	145.67	29.77	103.23	101.97	829,060

STOCK MARKET VOLUME

Week Ended Aug. 6	Week Ended July 30	Week Ended July 23
4,829,300	7,961,220	10,819,065
Total Transactions Year to Aug. 6	Same Date 1937	Same Date 1936
160,752,983	253,990,870	303,090,211

COMMENTS

Market movements during the past fortnight were characterized by a mild profit-taking reaction during the week ended July 30, followed by moderate recovery to an approximate double top during the week ended Aug. 6, which carried our daily Index, but not our broader weekly Index, to a new high level for the year. Volume of transactions has tended to contract. During the week ended July 23, when our Combined Average of 330 active stocks closed at a new high level for the year, volume reached the comparatively large total of 10,818,000 shares, the heaviest for any week since the six day period ended Oct. 30. The reaction during week ended July 30, was accompanied by transactions totaling only 7,961,000 shares; while last week's upturn brought out a mere 4,831,000.

* * *

While the Combined Average, representing the market as a whole, failed during the fortnight ended Aug. 6 to establish a new high record, no less than 18 of its 43 component sub-groups reached the best levels of the year. Gold Mining stocks, stimulated by hectic bidding for the yellow metal by European hoarders, advanced to the highest average level since the week ended Nov. 14, 1936. Other groups have staged more spectacular advances from the present year's low than Gold Mining, which is up only 32%, against, for example, upturns of more than 100% staged by Department Stores, Paper, Realty and Traction stocks. Of course the reason for this discrepancy is that Gold Mining shares were not so badly depressed by the late bear market as the groups which have since snapped back more swiftly.

* * *

Next to Gold Mining shares, the highest longer range investment rating has been earned by stocks in the Sulphur group which, during the fortnight ended Aug. 6, reached the best level since Aug. 14; and Tobacco stocks, which were highest since Aug. 21. Next in order of longer range strength come Baking and Traction, highest since Sept. 4; Finance Cos., best since Sept. 11; Mail Order and Tires, highest since Sept. 18; Business Machines, Chemicals, Copper, Machinery, and Variety Stores, best since Oct. 2; Automobile Accessories, highest since Oct. 9; Automobiles and Textiles, best since Oct. 30; and Radio, highest since Nov. 13.

* * *

Considerable technical weakness was uncovered during the fortnight ended Aug. 6 in Agricultural Implements, Realty and Sugar issues, which declined both weeks, including week ended Aug. 6 when the remainder of the market turned upward. Agricultural Implement companies are meeting growing competition, particularly in the tractor field, at a time when farmers are curtailing machinery purchases because of crop reduction programs scheduled for the next growing season.

Interesting Newcomers on the New York Stock Exchange

BY H. M. BLACKMAN

SINCE the first of the current year, some interesting additions have been made to the listed companies on the New York Stock Exchange: Hudson Bay Mining & Smelting Co., Victor Chemical Works, Ex-Cell-O Corp., Pacific Tin Corp., and American Stove Co. Another not quite so new is Rayonier Corp., which was listed about a year ago.

The last named enterprise engages in the manufacture of dissolving pulps used principally in the manufacture of rayon. Of the company's total output last year 48.2 per cent was sold to Japan, 34.9 per cent in the United States, and the balance in Europe and South America. In the fiscal year ended April 30, the company's sales expanded 32 per cent in dollar volume and 22 per cent in tonnage. The company's future growth promises to keep pace with the rayon industry but the immediate outlook, owing to the company's heavy dependence upon Japanese imports, must be set down as uncertain. Recent quotation 13.

Ex-Cell-O Corp. manufactures small precision tools and in recent years output has been expanded and diversified to include aircraft tools and engine parts, Diesel pump parts and, more recently, a machine which forms, sterilizes, fills, seals and dates single-service containers for milk and other dairy products. Although not large the company is modestly capitalized, adequately financed and with a demonstrated record of good earning power to its credit. Recent quotation 15.

American Stove Co. is one of the leading manufacturers of stoves, including oil, gasoline and gas stoves. The well known Magic Chef gas range is one of the company's products. Giving effect to the five-for-one split-up last year, earnings last year were equal to $2.06 a share. Recent quotation 14.

The Pacific Tin Corp. through subsidiaries engages in tin mining in the Federated Malay States. A small quantity of lead and silver is also produced. Profits last year were equal to $3.96 a share. Current production costs according to a recent official statement were about 21 cents a pound, an increase of about one cent over the past year. Dividends aggregating 75 cents a share have been paid this year. Recent quotation 29.

Without prejudice to the other issues which have been mentioned, the following have been selected for more detailed discussion:

Hudson Bay Mining & Smelting Co.

Outstanding Shares	2,757,973
Current Assets 12/31/37	$11,691,551
Current Liabilities, 12/31/37	2,302,331
Earned per Share 1937	2.71
Earned per Share 1936	1.34
Dividends Paid 1938	0.75
Recent Quotation	30
1937 High 42; 1937 Low 15½*.	

* N. Y. Curb Exchange.

Hudson Bay Mining & Smelting Co. was organized about eleven years ago to develop mining claims in northern Manitoba and Saskatchewan. About the time, however, that operations reached a practical production stage, copper and other basic metals suffered a severe slump in prices and the company was restrained from demonstrating its worth. Since 1933, however, the enterprise has made money in every year. Last year, output totaled 57,688,485 pounds of copper, 68,972,224 pounds of zinc, 133,605 ounces of gold, 1,633,378 ounces of silver, together with smaller quantities of cadmium, selenium and tellurium. Net income before depletion totaled $7,490,653, compared with $3,692,075 in 1936. Applied to the 2,757,973 shares, profits in these years were equal to $2.72 a share and $1.34 a share, respectively. Current earnings, of course, have been restricted by the low level of metal prices which prevailed in the first half. Recently, however, metal prices strengthened, and promise to find reflection in improved earnings of the company in the final six months. A dividend of 75 cents a share was recently declared, which compares with a similar amount paid in June, 1937, and $1 last December. Recently selling at 30, the shares, in relation to the company's somewhat longer term prospects, would appear to possess definite speculative merit.

Victor Chemical Works

Outstanding Shares	696,000
Current Assets 12/31/37	$3,624,820
Current Liabilities 12/31/37	382,825
Earned per Share 1937	1.01
Earned per Share 1936	1.16
Dividends Paid 1938	0.35
Recent Quotation	18

Victor Chemical Works is an old established enterprise, dating its existence back to 1902. The company is rated as one of the leading domestic manufacturers of phosphoric acid, phosphates (*Please turn to page 540*)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Commercial Solvents Corp.

I understand that Commercial Solvents has developed a new method of spraying automobiles with lacquer, requiring only two coats instead of three. Does this open up new appreciation possibilities for its stock? What shall I do with 300 shares which cost me 21?—F. O., Cincinnati, Ohio.

Continued decreases in the demand for solvents, the keen competitive situation experienced and rising costs have restricted profit margins of Commercial Solvents Corp. Hence, for the first half of 1938, a deficit of 15 cents per capital share was recorded against earnings of 33 cents per share during the like half of 1937. Moreover, it is doubtful if third quarter results will be materially better. Of course, the low corn prices currently in effect are of favorable long term significance. Molasses is another important raw material and in order to assure itself of an adequate supply, the company, through a subsidiary, owns gathering and storing facilities in the principle sugar producing sections of Puerto Rico, Cuba and the United States. The lacquer which you mention in your inquiry is expected to play an important part in saving production costs for the motor industry. Therefore, if and when recovery in the automotive industry reaches any reasonable proportion, the demand for this new product should be substantial. Hence, profits gleaned from this source should materially assist Commercial Solvents in alleviating the deficit operations. Since prohibition the company has obtained some revenue from the sale of whisky to distillers, although real profits are derived from the solvents business, and it is believed that as these solvents are distributed to a wide variety of industries, such as the paper, rubber, textile, furniture and automobile trades, earnings of the company follow very closely the general business trend. It is, therefore, not surprising that Commercial Solvents is currently operating in the red when the low point of production in the automotive industry, the depressed state of the business activity and general business recession is considered. Consideration of the situation as a whole leads us to believe that full 1938 results will not compare favorably with the 60 cents per share registered for 1937. In fact, earnings are likely to be only nominal with deficit operations possible. In this connection, we would like to refer you to page 504 where you will find the dividend prospects of the company discussed further. Any appeal that may be attributed to the shares is of definitely long range calibre and retention is counselled only where this fact is realized.

Penick & Ford, Inc., Ltd.

I was greatly pleased with the increased earnings of Penick & Ford during the first quarter. I am retaining 75 shares of this stock at 70. Do you think further improvement will be seen to justify retention?—P. A. C., St. Johns, Canada.

Profits of Penick & Ford for the first half of 1938 recorded a sharp upturn from year earlier levels. For the period ended June 30, 1938, per share earnings amounted to $1.50 against only 10 cents for the like six months of 1937. Continuation of this good earning power is entirely possible when it is considered that the company has on hand substantial supplies of cheap corn. Another constructive factor in the future outlook is the small stock of inventories currently being carried by dealers. Thus, if any substantial pick-up in industrial activity is registered, a large demand would be quickly created. The well-known products of the company have always enjoyed satisfactory sales in periods when consumer purchasing power was satisfactory. The strong trade position enjoyed by the company has led to substantial profits

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over a period of years and has afforded the stockholders liberal dividends. During 1937, profits of 74 cents per common share were registered, and $1.50 per share was paid out in the way of dividends. The company's simple capitalization (only 369,000 shares of common no-par stock outstanding) has made these payments possible. The extraordinarily strong financial position — total current assets being $6,051,263 against total current liabilities of only $474,252 at the year end—indicates that there is every possibility that the stockholder will continue to enjoy a good yield. In this connection, we would like to refer you to page 506 of this issue for the annual dividend forecast of this company. While it is a little early to estimate full year profits of the concern, it is highly possible that earnings may reach around $3 per share. On these prospects, therefore, we feel no hesitancy in recommending the shares to you on an income basis and also for reasonable price appreciation potentialities.

Endicott-Johnson Corp.

Should I continue to hold 100 shares of Endicott-Johnson for which I paid 55 early last year? Do earnings of only $2.06 for the last 52-week period jeopardize the $3 dividend payment?—L. E., Detroit, Michigan.

For the fiscal year ended November 30, 1937, Endicott-Johnson recorded profits of only $2.85 per share. Still, dividends of $3 per share were distributed to the common stockholders. This has been characteristic of the company since its inception in 1919, and we find that in several years the dividend rate was not earned but was still maintained. This liberal dividend policy has been made possible by the characteristically strong financial condition of the company. As of May 28, 1938, a net working capital of $22,346,825 was reported. In view of these considerations, therefore, we can look for a continuation of the $3 dividend rate for the fiscal year of 1938. Currently, it is understood that new orders are being received at a satisfactory rate and that as a result the company has been able to work off its inventories for the first time in several months. As the company comes into the latter part of its fiscal term, we find the situation more hopeful due to seasonal trade which makes the last half far superior, in the way of profits, to the first. Production costs are governed by prices of raw materials, finished products and labor. This is true because the machines on which shoes are manufactured are leased, rental payments being based on the actual number of shoes manufactured. Over a long period of time, this has enabled a fairly close control over costs of operation. In reference to labor costs, we find that several reductions in wages have already been instigated, and will probably not be replaced until earnings justify the action. It is felt that if you are willing to consider the shares as primarily an income producing medium, retention for the generous yield can be advocated.

Consolidated Edison Co.

Do you regard Consolidated Edison as among the most favored utilities today? After just failing to touch 50 last year, my shares are currently selling just about where I bought them back in 1935. Is this stock worth holding for income and appreciation over the longer term?—B. W., Buffalo, N. Y.

Net profits of Consolidated Edison Co. of New York have been running slightly ahead of the 1937 level. For the six months ended June 30, 1938, the company reported profits of $1.33 per common share, as against $1.24 per share in the like interval a year earlier. This is undoubtedly due to the close control over costs exercised by the company so far this year. However, the rate of gain in electric output has been levelling off and it is to be expected that profit margins will narrow accordingly. On the other hand, taxes and costs have not registered any appreciable gain, and the company should be able to close the year with earnings in the neighborhood of the $2 dividend rate maintained on the common issue. While it is possible that some reduction in this payment may be made, the yield afforded by the common would still be good and certainly a worth while consideration. Of course, the April refunding did have a lot to do with the better showing for the initial six months, but the full affect of this action will probably not be felt until third quarter reports have been published. Over the longer term, this lowering of interest payment should materially aid profits on the common. The common stock of Consolidated Edison affords the stockholder with a good income and represents one of the better equities of operating utility company stocks. Under these circumstances, retention over the longer term is deemed advisable.

Loew's, Inc.

Does the current price of Loew's, around 50, fully discount the worst aspects of the recent anti-trust suit filed by the Government? Would you hold 50 shares bought at 85? Is the present dip an opportunity to average?—G. D. Y., Dallas, Texas.

The Government's anti-trust suit does not seem to contain any serious near-term implications. The shares of Loew's sold off considerably on publication of the Government's proposal and at present prices seems to have amply discounted any adverse factors. A further discussion of these factors appears on page 511 of this issue. The company has been slowly cutting overhead and production costs in order to meet increasing expenses. Even in view of this, however, it is anticipated that earnings for the fiscal year to end August 31, 1938, will be substantially below the profits reported during the fiscal term of 1937. For the forty weeks ended June 9, 1938, earnings of $4.80 per share were recorded on the 1,599,052 no-par shares of common stock. This compares with $7.07 a share on the common stock for the forty weeks ended June 3, 1937. It must be pointed out, however, that if consumer purchasing power returns to a more normal volume, profits of Loew's can readily reverse the downward trend. Companies in this industry have always been hampered by high costs of production due to high salaried stars and other fixed costs. Loew's, Inc., has been able to meet these higher charges satisfactorily and we find that over a period of years profits have been good and dividend distributions to stockholders extremely liberal. The strong finances of the company, moreover, indicate that satisfactory payments will continue to be made on the common issue. Therefore, where one is primarily interested in income coupled with medium price appreciation possibilities with a small degree of risk, we can recommend full retention of your shares over the longer term.

(*Please turn to page 538*)

New York Stock Exchange

Rails

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/4/38	Div'd $ Per Share
A								
Atchison	88½	59	94¾	32⅞	42	22¼	36	....
Atlantic Coast Line	49	21⅝	55½	18	27⅜	14	22¾	‡1.50
B								
Baltimore & Ohio	26½	15⅞	40½	8⅛	11	4	8⅞	....
C								
Canadian Pacific	16	10⅞	17½	6⅞	8⅛	5	6⅞	....
Chesapeake Corp.	100	59	90½	40	48½	27⅛	39	†1.85
Chesapeake & Ohio	77¾	51	68⅞	31	38½	22	30¾	†1.75
Chicago Gt. Western Pfd.	14⅝	4	18¼	3	5⅜	2⅜	4½	....
C. M. & St. Paul & Pacific	2⅞	1½	3¼	⅝	1	½	¾	....
C. M. & St. Paul & Pacific Pfd.	5⅞	2⅞	7¼	1⅛	1⅞	¾	1½	....
Chicago & North Western	4⅞	2½	6⅜	⅞	1¾	¾	1⅛	....
Chicago, Rock Is. & Pacific	3	1½	3⅝	¾	1¼	5/16	¾	....
D								
Delaware & Hudson	54¾	36¾	58⅜	13	17⅞	7½	17¼	....
Delaware, Lack. & West	23⅛	14⅞	24½	5	8½	4	7	....
E								
Erie R. R.	18¼	11	23⅝	4¼	6¼	1¾	3⅛	....
G								
Great Northern Pfd.	46⅜	32¼	56¾	20½	26¼	12⅜	21⅝	....
I								
Illinois Central	29½	18⅝	38	8	14	6⅛	11¾	....
K								
Kansas City Southern	26	13	29	5	13⅛	5⅛	10½	....
L								
Lehigh Valley	22	8½	24⅝	4¼	7¼	3	6	....
Louisville & Nashville	102⅜	57½	99	48½	56½	29⅞	42⅝	....
M								
Mo., Kansas & Texas	9⅝	5½	9¾	2	11½	4¾	9⅜	....
Mo., Kansas & Texas Pfd.,	33⅜	14½	34⅝	5⅛	11½	4¾	9⅜	....
Missouri Pacific	4	2⅛	6¼	1¼	2⅜	¾	1½	....
N								
New York Central	49⅝	27¾	55¼	15⅛	21½	10	19	....
N. Y., Chic. & St. Louis	53⅛	17¾	72	14	22½	7	17	....
N. Y., N. H. & Hartford	6⅛	3	9¾	2	2¾	1⅛	2	....
Norfolk & Western	310½	210	272	180	198	133	167⅞	*10.00
Northern Pacific	36¾	23⅞	36⅝	9⅞	14½	6⅜	13	....
P								
Pennsylvania	45	28¼	50¼	20	24½	14⅛	20⅝	....
R								
Reading	50¾	35½	47	18⅛	22	10⅜	17⅛	†1.25
S								
St. Louis-San Fran.	3⅝	1½	4¾	1	1⅜	⅝	1	....
Southern Pacific	47⅞	23½	65⅜	17	22⅛	9¼	18¾	....
Southern Railway	26½	12¾	43⅜	9	15	5½	13⅜	....
T								
Texas & Pacific	49	28	54¼	15⅝	26	13	22	....
U								
Union Pacific	149¾	108½	148¾	80	88½	55⅜	82	†4.50
W								
Western Maryland	12⅛	8⅛	11¾	2⅝	4½	2⅝	3½	....
Western Pacific	4	1⅞	4¾	1	1⅝	½	⅞	....

Industrials and Miscellaneous

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/4/38	Div'd $ Per Share
A								
Air Reduction	86½	58	80¼	44½	65¾	40	60¼	*1.00
Alaska Juneau	17½	13	15¾	8	13⅜	8¾	11⅝	* .60
Allegheny Steel	40⅜	26⅞	45⅝	13	21¾	11⅝	18¼	....
Allied Chemical & Dye	245	157	258½	145	184	124	179	6.00
Allied Stores	20⅛	6¾	21⅞	6⅛	12	4½	10⅜	....
Allis Chalmers Mfg.	81	35⅜	83½	34	54½	34¼	50	† .75
Amerada	125½	75	114⅞	51½	78	55	70	2.00
Amer. Agric. Chemical (Del.)	89	49	101½	53½	83	49	80¼	†2.25
Amer. Bank Note	55½	36	41⅜	10	23⅛	10	18¾	† .60
Amer. Brake Shoe & Fdy.	70¼	40	80¾	28	42½	23¼	40¼	† .50
Amer. Can	137½	110	121	69	101	70¾	100	4.00
Amer. Car & Fdy.	60½	30	71	15¼	32¼	12⅝	28¼	....
Amer. & Foreign Power	9¾	6½	13¾	2½	5¼	2¼	4⅜	....
Amer. Power & Light	14⅜	7½	16½	3	7⅛	3¼	5⅝	....
Amer. Radiator & S. S.	27⅜	18¾	29½	9¼	17	9	15½	....
Amer. Rolling Mill	37	23¾	45¼	15½	22⅞	13⅛	20	....
Amer. Smelting & Refining	103	56¾	105¾	41	56¾	28⅛	49¼	†1.75
Amer. Steel Foundries	64	20½	73¼	22½	34¾	15⅝	28¼	....
Amer. Sugar Refining	63⅝	48¼	56⅞	24	31	21½	28	†1.25
Amer. Tel. & Tel.	190⅛	149½	187	140	149¾	111	141¾	9.00
Amer. Tob. B.	104	88½	99⅞	58¾	89¾	58¾	89¾	5.00
Amer. Water Works & Elec.	27¾	19⅛	29½	8	13½	6	10¾	....
Amer. Woolen Pfd.	70¾	52¾	79	25¼	43	23⅝	36¾	....
Anaconda Copper Mining	55⅜	28	69½	24½	38	4	35⅞	....
Armour Co. of Ill.	7⅜	4⅝	13¾	4⅝	7	3⅞	6⅛	....
Atlantic Refining	35⅛	26⅝	37	18	27⅜	17¾	24⅜	1.00
Aviation Corp. Del.	7¾	4⅝	9¼	2¼	4¾	2½	4⅜	† .18½
B								
Baldwin Loco. Works	....	....	23¾	5	11¾	5	10⅛	....
Barber Co.	38½	21	43⅜	10⅛	23⅜	12⅛	20½	....
Barnsdall Oil	28¼	14⅛	35¼	10	21⅜	19⅛	19⅜	1.00
Beech-Nut Packing	112	85	114¾	90¾	115½	94½	114	*4.00
Bendix Aviation	32⅜	21⅝	30½	8¼	21¾	8⅝	20½	....
Best & Co.	72	48	62¾	29	50¼	26⅞	46¼	†1.92½
Bethlehem Steel	77¾	45¾	105½	41	65⅞	39¾	58	....

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 8/4/38	Div'd $ Per Share
B								
Black & Decker	34½	28¾	38	13¼	20¼	9¾	18½	....
Boeing Airplane	37⅜	16⅞	49¾	16	35½	20⅛	28½	....
Borden Co.	32⅜	25⅝	28	16	19⅝	15	17½	†1.00
Borg Warner	....	....	50⅝	22¾	34	16½	31	....
Bridgeport Brass	18⅞	12⅛	23¼	7	12⅝	5⅜	11¼	....
Briggs Mfg.	64⅞	43¼	59⅞	18	34½	12¾	33¼	† .25
Brooklyn-Manhattan Transit	58¼	40¼	53	7	13⅜	5⅜	11⅜	....
Bucyrus Erie	21¾	8⅞	25¼	6½	12⅞	5⅞	11⅛	....
Budd Mfg.	15⅞	9⅛	14⅜	2¼	6¾	3¼	5¾	....
Byers & Co. (A. M.)	29⅛	16½	33¾	6	13⅜	6	11¾	....
C								
Calumet & Hecla	16½	6	20⅛	4	10¼	5¼	8¾	....
Canada Dry Ginger Ale	30¾	10⅜	38¼	9½	21½	12⅛	19⅜	....
Case, J. L.	186	92½	196¾	80	107½	62½	100	....
Caterpillar Tractor	91	54¾	100	40	58	29⅞	53¾	†1.50
Calanese Corp.	32¼	21¾	41¼	13	22¾	9	21½	....
Cerro de Pasco Copper	74	47¾	86⅜	34¾	49¼	26¼	47½	†3.00
Chrysler Corp.	138¾	85½	135¼	46⅛	75½	35⅜	71⅛	† .75
Climax Molybdenum	....	....	41	24½	45⅝	32½	41⅞	† .60
Coca-Cola Co.	134	84	170½	93¾	142¾	105½	138½	†1.00
Columbian Carbon	136½	94	125¾	65	98½	53¾	90⅛	4.00
Colum. Gas & Elec.	23⅜	14	20⅞	4⅝	9⅝	5⅛	7¼	....
Commercial Credit	84⅞	44	69¼	30⅜	49½	23	47½	4.00
Comm. Inv. Trust	91¾	55	80¼	34	54⅝	31½	53½	4.00
Commercial Solvents	24⅝	14¼	21¼	5	12¼	5⅞	11¾	....
Commonwealth & Southern	5½	2¼	4⅛	1	2	1	1⅜	....
Consolidated Edison Co.	48⅜	27¼	49⅞	21⅛	30½	17	27¾	†1.50
Consol. Oil	17¼	11½	17⅞	7	10¾	7	10⅜	.80
Container Corp.	26¼	15¾	37⅜	10¾	17½	9¾	15½	....
Continental Baking, A	35⅜	10⅜	37¾	7½	26⅞	8⅝	23⅞	....
Continental Can	87¼	63¾	69⅛	37½	49	36½	44	†1.50
Continental Oil	44⅞	28⅛	49	24	35¾	21¼	35	† .75
Corn Products Refining	82½	63⅝	71¼	50½	69⅝	53	69⅜	3.00
Crane Co.	50½	24	56½	22½	36½	19	34⅝	....
Crown Cork & Seal	91½	43⅝	100⅞	28¼	39⅞	22¼	34	....
Curtiss-Wright	9¼	4	8⅜	2	6	3¼	5⅞	....
Curtiss-Wright, A	21⅞	10½	23¾	8⅛	24⅜	12⅝	24⅛	....
Cutler-Hammer	....	....	27	18¼	28¾	13¼	25	....
D								
Deere & Co	....	....	27	19½	25¼	13¾	21	....
Distillers Corp. Seagrams	34⅝	18¼	29	10	17½	11	17⅛	†1.00
Dome Mines*	61½	41½	57¼	35	34¼	27⅛	34	† .50
Douglas Aircraft	82¼	50⅝	77¼	26½	54½	31	50⅞	....
du Pont de Nemours	84¾	133	180⅛	98	132¾	90½	127½	†1.00
E								
Eastman Kodak	185	156	198	144	181	121½	177	6.00
Electric Auto Lite	47½	30¾	45½	14⅞	28¼	13¼	26¼	† .25
Elec. Power & Light	25⅞	6⅜	26⅝	6⅛	13¾	6⅛	11¾	....
Endicott Johnson Corp	69	53½	60	33	44¾	33	43⅜	3.00
F								
Fairbanks, Morse	71¾	34¾	71⅞	23½	37⅝	19½	34½	....
Firestone Tire & Rubber	36¼	24⅞	41⅜	16½	25⅛	16¼	21¼	†1.00
First National Stores	58⅝	40	52¼	26½	34⅞	24½	33⅝	†1.87½
Foster Wheeler	45⅜	24⅛	54½	11½	22	11	19⅝	....
Freeport Sulphur	35⅝	23½	32¼	18	30¼	19⅞	30	2.00
G								
General Amer. Transpt	76	42¼	86½	31½	51⅛	29	48¾	†1.12½
General Baking	20	10¾	19½	5	11⅛	6½	10⅝	.40
General Electric	55	34½	64⅞	34	45½	27¼	41¼	† .50
General Foods	44	33⅜	44¼	28⅛	36¼	22⅞	35	2.00
General Mills	70½	58	65⅞	48	68	50¾	67	3.00
General Motors	77	53⅞	70½	28⅝	44¾	25½	44¼	† .75
General Railway Signal	57	32½	65⅛	17	26½	12¾	20¾	....
Gen. Realty & Utility	4⅞	2	5¾	1	2⅛	1	1¾	....
General Refractories	71	33¼	70¼	18	37⅜	15⅛	32¾	....
Glidden	55¼	39½	51½	19⅛	27¼	13	23	....
Goodrich Co. (B. F.)	35½	13⅝	50½	12¾	24⅝	10	23¾	....
Goodyear Tire & Rubber	31⅞	21⅝	47⅜	16⅛	28⅞	15⅛	27	....
H								
Hecker Products	21⅜	12⅝	15⅞	5⅜	8¾	5½	7⅞	.60
Hercules Powder	....	....	64	50	65¼	42¾	60	† .65
Houston Oil	13⅞	6⅜	17⅝	4¾	9¾	5	8⅝	....
Hudson Motor Car	22⅝	13½	23¼	4	10	5	9	....
I								
Industrial Rayon	41⅜	25⅝	47½	15	26¼	14⅜	25⅞	....
Inspiration Copper	24¼	6⅛	33⅛	6¼	16⅞	7⅛	15¾	....
Interborough Rapid Transit	18⅞	10⅞	13¾	1½	6¾	2⅞	5⅞	....
Inter. Business Machines	194	160	189	127½	168	130	167	*6.00
Inter. Harvester	105½	56⅝	120	53½	70	48	62½	†1.75
Inter. Nickel	66⅜	43¼	73⅜	37	52¾	36⅞	50¾	†1.50
Inter. Tel. & Tel	19¼	11⅛	15⅞	4	10¾	5½	8⅞	....
J								
Johns-Manville	152	88	155	65½	99¼	58	94	....
K								
Kennecott Copper	63⅜	28¼	69⅜	28¼	44	26⅜	41½	† .75
L								
Lambert	26¾	15⅞	24	10⅛	14¾	8½	13⅞	†1.12½
Lehman Corp	....	....	43½	22¾	29	19⅜	26½	† .70
Libbey-Owens-Ford	80¼	47¼	79	33⅝	48	23¼	45½	† .75
Liggett & Myers Tob., B	116½	97¾	114	83½	103¾	81½	103½	*4.00
Loew's, Inc	67⅛	43	87⅞	43⅝	56¼	33	49	†2.00
Lone Star Cement	61⅞	35½	75¼	31½	56	26	53⅜	3.00
Lorillard	26½	21⅛	28⅝	15⅜	21¼	13¾	20	1.20
M								
Mack Truck	49¼	27⅜	62¼	17⅜	29	16	26½	....
Macy (R. H.)	65¼	40⅛	58¼	25	46	24⅞	43¾	2.00
Marshall Field	25⅛	11⅛	30⅞	7¼	14½	5½	12⅝	....
Martin (Glenn L.) Co	....	....	29¼	10	27¼	14⅛	24⅞	....
Masonite, Corp	64½	44	74	20	51	25	51	*1.00
Mathieson Alkali	42⅜	27½	41¾	22	30½	19¾	29½	1.50
McIntyre Porcupine	49⅜	38⅛	42½	30⅛	47½	35½	47½	2.00
McKeesport Tin Plate	....	....	42½	18½	26⅛	13⅛	22⅛	....
McKesson & Robbins	14¾	8⅝	16¼	5⅜	8¼	5⅜	7¼	....

DIVIDENDS and INTEREST

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

August 5th, 1938.

THE Board of Directors on August 3rd, 1938, declared a dividend of $1.00 per share on the Common Stock of this Company, payable August 25th, 1938 to stockholders of record at the close of business on August 15th, 1938. Checks will be mailed.

DAVID BERNSTEIN
Vice-President & Treasurer

ALLEGHENY STEEL CO.

Brackenridge, Pa.

Allegheny Steel Company has declared a dividend of $1.75 per share on the outstanding shares of their 7% cumulative preferred stock, payable September 1st, 1938, to stockholders of record, August 15th, 1938.

Allegheny METAL

F. H. STEPHENS
Vice-Pres. and Treas.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936		1937		1938		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	8/4/33	Share
M								
Mesta Machine	65	40⅝	72¼	33¾	47½	26¾	45	†2.50
Minn. Honeywell	112	65	120	53	87	46½	79	†1.50
Minn. Moline Power	12⅜	6½	16⅛	4⅜	8	4	7	....
Monsanto Chemical	103	79	107½	71	94½	67	93½	2.00
Mont. Ward & Co	89	35¾	69	30	49⅝	25	47⅜	†1.25
Murray Corp	22¾	14	20¾	3	10¼	4	9⅜	....
N								
Nash Kelvinator	....	....	24⅝	5	12½	6¾	10½	....
National Biscuit	38¾	28¾	33⅜	17	25¼	15½	23⅜	†1.20
National Cash Register	32⅝	21½	38⅞	13	30⅝	12½	28⅝	† .75
National Dairy Prod	28¼	21	26⅛	12	16½	11⅞	15⅝	1.20
National Distillers	33⅜	25⅝	35	17	26⅜	17¼	26	2.00
National Lead	36½	26⅜	44	18	31	17⅛	25¼	.50
National Power & Light	14⅞	9⅝	14¾	5	8⅜	5	7	.60
National Steel	78	57¼	99¼	55	66½	44¾	60⅛	† .50
N. Y. Air Brake	83	32½	98½	29	40	20	32⅞	....
Newport Industries	40	9	41¾	10⅛	19½	9⅞	18	....
North American	35½	23⅛	34⅞	14⅛	24⅜	13¾	21⅛	† .60
North Amer. Aviation	14¼	6⅝	17⅜	3	11	5⅞	10⅛	....
O								
Otis Steel	20¾	12½	24⅜	6⅛	12	6⅜	10½	....
Owens-Ill. Glass	....	....	103¾	51¼	74⅛	40	72½	†1.00
P								
Pacific Gas & Electric	41	30¾	38	22	29¾	22¾	27	2.00
Packard Motor Car	13⅜	6⅞	12⅜	4	5⅞	3¼	5	....
Paramount Pictures	25	7⅛	28¾	8½	13¼	5¾	10⅜	....
Penney (J. C.)	112½	69	103¾	57½	85½	55	83	†1.75
Phelps Dodge	56¾	25⅝	59⅞	18½	36	17⅝	35	† .45
Phillips Petroleum	52⅜	38⅛	64	30⅛	44⅜	27¼	41½	2.00
Procter & Gamble	56	40¼	65½	43¼	56½	37½	55¼	2.00
Public Service of N. J	50½	39	52¾	30⅜	35½	25	29½	†1.65
Pullman	69⅞	36⅞	72⅛	25½	36⅞	21⅝	33	†1.12½
Pure Oil	24⅞	16	24⅜	8¾	13½	8¼	11¾	....
R								
Radio Corp. of America	14¼	9¾	12¾	4¾	7¾	4¾	6¾	....
Radio-Keith-Orpheum	10⅞	5	10⅛	2¼	5⅜	1⅞	2¾	....
Remington Rand	25	17½	29⅛	8⅛	17⅝	9⅝	16	* .70
Republic Steel	29⅞	16⅞	47¼	12¼	20⅞	11¼	19	....
Reynolds (R. J.) Tob. Cl. B	60½	50	58	40¼	46½	33¾	43⅛	†2.40
S								
Safeway Stores	49⅝	27	46	18	23⅝	12	20½	† .50
Schenley Distillers	55⅞	37¾	51¾	22	27½	14⅛	19⅞	....
Sears, Roebuck	101½	59⅝	98⅝	49¾	75½	47	73⅜	*3.00
Shattuck (F. G.)	19¾	11⅛	17⅝	6½	11⅝	6¾	9⅞	† .20
Shell Union Oil	28¼	14¾	34¾	14⅞	18⅜	10	17¼	† .35
Socony-Vacuum Corp	17½	12½	23¼	13	16⅜	10¾	15¼	.50
Sperry Corp	24⅛	15⅞	23¾	10	25¾	15⅝	24¼	† .60
Spiegel, Inc	....	....	28¾	8⅛	15¼	6¼	13¼	....
Standard Brands	18⅛	14⅜	16¼	7½	9¼	6⅛	8	† .50
Standard Gas & Electric	9⅞	5⅛	14⅜	2½	5½	2	4⅛	....
Standard Oil of Calif	47⅝	35	50	27⅛	34⅞	25⅛	32¼	*1.00
Standard Oil of Ind	48½	32¾	50	26½	35½	24¾	32⅜	1.00
Standard Oil of N. J	70⅜	51⅛	76	42	58⅜	39¾	56¾	*1.00
Stewart-Warner	24½	16½	21	5½	12⅛	6	10⅝	....
Stone & Webster	30½	14⅝	33⅝	6½	12	5½	10⅜	....
Studebaker	15⅞	9⅛	20	3	8⅞	3½	8	....
Sun Oil	91	70	77½	44½	59	45	56¾	*1.00
T								
Texas Corp	55¼	28⅞	65⅛	34¾	49⅜	32⅝	46⅞	2.00
Texas Gulf Sulphur	44¾	33	44	23¾	35⅞	26	35¼	†1.50
Texas Pacific Coal & Oil	15¼	7½	16⅝	5⅜	12	7	11⅝	.40
Tide Water Assoc. Oil	21¾	14¾	21⅝	13⅛	15¾	10⅛	14½	1.00
Timken Detroit Axle	27⅞	12⅛	28⅞	8¾	15½	8	14	....
Timken Roller Bearing	74½	56	79	36	50½	31¼	48½	† .75
Twentieth Century-Fox	38⅝	22½	40⅞	18½	26⅞	16⅛	25¼	†1.00
U								
Underwood-Elliott-Fisher	102⅜	74⅝	100⅛	46¼	66	41	65	†2.00
Union Carbide & Carbon	105¼	71⅝	111	61¼	87	57	83½	†2.00
Union Oil of Cal	28½	20¾	28¼	17½	22½	17⅛	21½	1.20
United Aircraft	32⅜	20⅝	35⅛	10¾	30¼	19½	28⅞	† .50
United Carbon	96¾	68	91	36¾	65½	39	60	†1.75
United Corp	9¼	5⅜	8½	2	3¾	2	2⅞	....
United Fruit	87	66½	86¾	52	67	50	66	3.00
United Gas Imp	19½	14⅛	17	9	11⅜	8¾	10⅝	1.00
U. S. Gypsum	125¼	80½	137	53	96¾	55	89¼	2.00
U. S. Industrial Alcohol	59	31¼	43⅝	16⅛	24¼	13½	21¾	....
U. S. Pipe & Fdry	63⅞	21½	72¼	24	44⅜	21½	41¾	2.00
U. S. Rubber	49⅜	16⅜	72⅜	20	47	21	44¼	....
U. S. Smelting, Ref. & Mining	103¾	72¼	105	52½	71	44¾	66½	†3.00
U. S. Steel	79⅞	46⅜	126½	48½	63¼	38	59¾	....
U. S. Steel Pfd	154¾	115½	150	100¼	114½	91¾	109	7.00
Utilities Pwr. & Lt., A	7	3⅛	4⅞	¾	1¼	½	¾	....
V								
Vanadium	30⅝	16¼	39⅜	9¼	21⅜	11½	19⅜	....
W								
Walworth Co	12⅜	5½	18¾	3¼	10¼	4½	8¾	....
Warner Brothers Pictures	18⅜	9¼	18	4¾	8	3¾	6½	....
Western Union Tel	96⅛	72½	83½	22⅛	34¼	16½	30½	....
Westinghouse Air Brake	50⅞	34¾	57¾	17¾	28¾	15¾	25	1.00
Westinghouse Elec. & Mfg	153½	94½	167⅝	87⅛	109⅞	61¾	103⅛	†2.00
Wilson & Co	11	6⅝	12¼	4⅝	5⅞	3	5	....
Woolworth	71	44¾	65⅜	34	48¾	36	47	2.40
Worthington Pump & Mach	36¾	23⅛	47	12	22⅜	11¼	20½	....
Y								
Yellow Tr. & Coach, B	23¼	8¾	37⅜	7½	21⅝	8⅜	20⅛	....
Youngstown Sh. & Tube	87¾	41¾	101⅞	34⅛	43¾	24	38	....
Z								
Zenith Radio	42⅜	11⅛	43¾	11⅞	25¾	9	20½	....

*—Not including extras. ‡—Paid last year. †—Paid this year. ★—Splits 2:1 6/38.

Two Keys to Recovery

(*Continued from page* 496)

nouncements and advertising of the new models. One company plans public announcement, if production permits, by late August and several others in early September.

For the first seven months of this year domestic production of cars and trucks was around 1,250,000 units, with July estimated. Allowing for low August-September output, a fourth quarter production equal to nearly 90 per cent of that of a year ago would be required to give United States plants a 2,500,000 unit year or only slightly more than half that of 1937. This poor showing is water over the dam, however, and the industry now thinks more in terms of model years than calendar years. The fourth quarter starts the new model year and will start it more auspiciously than had been thought possible only a short time ago.

Indeed, some in Detroit are predicting sale of 4,000,000 1939 cars and trucks. That may be high and it can only be a guess. Actual results will depend entirely on the unpredictable scope and speed of general economic recovery. Given a strong recovery tide, there is nothing to prevent development of a market for 3,500,000 to 4,000,000 cars.

Statistics bearing upon potential replacement demand throw only partial light on the motor outlook and for any given year are always less important than the influence of rise or fall in public purchasing power and public willingness to make the relatively large commitments involved in buying cars. It is estimated that by the end of this calendar year cars 3 years old or less in use will approximate 34% of the total, as compared with 22% at the end of 1933. The percentage of young cars in use, then, is substantially greater than five years ago and this points to smaller replacement market. On the other hand, total of cars four to five years old is estimated as about equal to total five years age, so that in this age range potential replacement demand would seem equal to what it was at the close of 1933. But in the six to eight year age range the percentage of cars in use is put at less than half what it was five years ago, which can only mean that in this age group there are some 4,500,000 cars on the road against nearly 9,000,000 five years ago and, therefore, the potential replacement demand is sharply lower. There are estimated to be nearly 7,700,000 cars more than eight years old in use, a much bigger total and percentage than ever before. The latter figures are of doubtful signicance in relation to new car demand. In hard times a large percentage of cars in the oldest age group are junked or withdrawn from use, without replacement; and with a rising economic trend the bulk of replacements in this group will be with used cars.

On the whole it is probably sound to conclude that the relatively heavy sales of the three years 1935-1937 did moderately reduce the replacement potential but not sufficiently to preclude effective demand for upward of 3,500,000 cars and trucks in the 1939 model year—assuming continuance of the general recovery trend without serious or protracted interruption.

Two thoughts worth noting are (1) that mass purchasing power suffered a far less sharp curtailment in the recent short depression than in the 1929-1933 depression, which suggests that recovery in demand for cars probably will develop faster than was the case in 1933 and 1934; and (2) the people of this country are "automobile addicts" to a degree which constantly amazes the conservative mind. Houses may need paint, clothes may be shabby, food may be none too plentiful, savings may be nominal or non-existent—but nevertheless millions of Americans will manager by hook or crook to maintain automobiles. They regard the family car either as a necessity or the most prized of all luxuries. The public favor won by the industry's undeviating policy of giving maximum car value for the lowest possible price assures it of a normal demand of at least 3,500,000 cars and possibly 4,000,000. Anything under these figures will be due to unfavorable economic circumstances rather than to market "saturation." Anything much above them will probably reflects the upper limits of a rising business cycle.

The motor industry (United States and Canada) produced only 1,985,000 cars and trucks in 1933 and only 2,869,000 in 1934. It will certainly top those figures by a big margin during the next year unless the second New Deal recovery is a prompt and dismal failure, since from present indications it will better the average 1933-1934 production *this* year. As for construction, it is higher right now than its 1933-1934 average and it trend is up. The only way we can read these facts is that construction and the motor industry now appear to offer a force for industrial revival superior to their individual and joint performances during the first two years of the original New Deal expansion cycle. How far these forces will extend, as compared to the 1937 top, is another matter and beyond present forecast.

N. Y. Retailers Will Cash In On World's Fair

(*Continued from page* 513)

the months ahead.

Recently selling around 10, Associated Dry Goods common stock would appear to have interesting speculative possibilities while the 7% preferred shares at 71 possess merit both for income and price appreciation.

Gimbel Brothers, Inc.

The shares of Gimbel Bros., recently selling around 13, are speculative, but, with promise of improved sales and earnings over the next year, may be credited with a fair measure of attraction. The company has three large department stores in New York City, with large units also in Philadelphia, Pittsburgh, Milwaukee and Chicago, as well as numerous resort branches. In New York City, it operates Gimbel's, a popular price department store; Saks-34th Street, specializing in medium priced wearing apparel, as well as various novelties and accessories; and Saks-5th Avenue, specializing in the more expensive grades of wearing apparel, accessories, cosmetics, jewelry, etc., and catering largely to a luxury trade.

Following the peak of nearly $125,000,000 in 1930, net sales of the Gimbel Bros. system declined in subsequent years to a low of $72,-

196,485 in the year ended January 31, 1933. From that point, sales have shown vigorous recovery, reaching slightly more than $100,-000,000 in the 1937 fiscal year. The latter figure represented a gain of 4.6% over the previous fiscal period. However, under the weight of increased taxes and higher wage and operating costs, net income for 1937 was only $2,278,709, or $1.12 a share for the common stock as compared with $3,226,132, or $2.08 a share in 1936.

Outstanding common stock is 977,300 shares and is preceded by 197,989 shares of $6 preferred stock and funded debt aggregating $26,-783,772. Regular dividends have been paid on the $6 preferred stock, since its issuance in 1936, but no dividends have been paid to common shareholders since the incorporation of the present company in 1932.

Gimbel Bros. largest New York unit competes aggressively with R. H. Macy & Co. and thus far the latter company appears to have gained and held a definite advantage. Following a program of store modernization and the introduction of more aggressive merchandising policies, Gimbel Bros., however, appears to be acquiring increased favor.

R. H. Macy & Co., Inc.

Like Gimbel Bros., R. H. Macy & Co. last year experienced difficulty in promptly and effectively reducing costs, a condition which appears to have been more or less typical of large department store units. Sales totaled $135,871,800, as compared with $130,441,311 in the fiscal year ended January 30, 1937. Profit margin in the last fiscal year was 6.7%, as compared with 7.7% in the previous year. Net income, despite the larger sales, totaled $4,179,959 as compared with $4,604,908 in the previous period. Applied to the 1,655,682 shares of common stock outstanding (which aside from a small minority interest comprise the total capitalization) earnings in the latest fiscal period were equal to $2.52 a share, comparing with $3.06 a share on 1,503,835 shares in the year ended January 30, 1937.

In addition to operating the largest department store in New York City, a wholly owned subsidiary, L. Bamberger & Co., operates the leading department store in Newark, N. J., and Macy owns stores also in Toledo, Ohio, and in Atlanta, Ga. All units carry a wide diversity of merchandise. All merchandise in the New York store is sold strictly for cash and in the case of the faster moving items, on a keenly aggressive competitive basis. The company has vigorously opposed price-fixing of trade-marked merchandise and has developed numerous products under its own name which are sold competitively and free of price-fixing. Last year the company formed the "Supremacy Products, Inc." for the purpose of distributing Macy products at wholesale and to department stores and other retail units outside of its own selling zone.

Some idea of the company's competitive standing in New York City may be gained from the fact that last year it reported a sales gain of 4.3% which compares with a gain of 2.8% in the sales of all department stores in the New York City area as reported by the Federal Reserve Bank. Sales this year were off sharply, having declined 7.7% in the first quarter. In June, however, volume turned sharply upward and it has been unofficially reported that in the past few weeks total sales have been close to the level of a year ago. Dividends have been paid at $2 a share, and in view of the company's strong financial position, their continuance appears reasonably assured. Selling at 43, the shares afford a fair yield and might well be given favorable consideration both for income and price appreciation.

Arnold Constable Corp.

Although Arnold Constable is one of the smaller department stores in New York City, it has a fairly good record of earning power. Sales, at their peak in 1928, totalled $13,520,-639, and last year, although at the best level since 1933, volume was only $7,883,911. In New York City, the company operates a single unit, located on Fifth Avenue in the main shopping district. Last year, the company opened a smaller unit in the nearby suburban community of New Rochelle. Both stores specialize in medium and popular priced merchandise.

Capitalization is simple, consisting solely of 337,109 shares of capital stock. There is no funded debt. Subsequent to 1929, the company reported operating deficits in the fiscal years ended January 31, 1930, 1931 and 1933. Since the latter year, sales have recovered steadily and in the fiscal period ended January 31, 1937, net income of $387,066 was equivalent to $1.15 a share for the capital stock. Last year, the same factors which were apparent in the showing of other New York City department stores were responsible for a sharp reduction in profit margins and net income declined to $253,336, or 75 cents a share.

Including a 25-cent extra, made near the close of the fiscal year, dividends last year totalled 75 cents a share. Thus far in the current year, payments have been made at the rate of 12½ cents quarterly.

Although the smallest of the enterprises appearing in this discussion, there is no reason to suppose that Arnold Constable will not receive a fair share of the anticipated recovery in New York department store sales and earnings. The stock, recently selling around 10, must be given a speculative rating, but among low priced issues, it is not without merit.

Opportunities for Fall Recovery

(Continued from page 518)

share in 1936. Last year, the company reported net income of $2,524,-929, as compared with $2,548,689, which, in view of the conditions which prevailed in the last six months of 1937, may be regarded as a wholly excellent showing. The decline in general business and the slump in public purchasing power, however, caught up with the company in the first six months of this year. In that period, the net profit of $316,790, made possible by "black" operations in each month, was equal to only 25 cents a share, compared with net of $1,379,983, or the equivalent of $1.11 per share in the corresponding months a year ago.

As of June 30, last, the sole outstanding capitalization consisted of 1,243,000 shares of common stock. Current assets on the same date, including nearly $5,000,000 cash

and cash items, totaled $14,598,598, while current liabilities were less than $1,000,000.

Notwithstanding the company's excellent position, directors earlier this year acted conservatively, and following a dividend of 25 cents a share in March, the June payment was omitted. On the basis of the company's past record, however, it appears a safe assumption that earnings from this point on will show gradual, and perhaps substantial, improvement. It is also possible that dividends may be resumed before the year-end. The sustained level of home building and the rising trend of home modernization activities, are favorable features in the company's outlook at this time. On the whole, the shares, recently selling around 24, would appear to offer a commendable speculative opportunity.

Borg-Warner Corp.

Not only is Borg-Warner Corp. a well rounded unit supplying a diversified line of parts and equipment to the automobile industry, but the company has established itself as an important factor in the household equipment field with a line of products including refrigerators, gas and electric ranges, washing machines, stokers, gas and oil burners. Last year, sales to the automobile industry accounted for approximately 50% of the total, while household equipment contributed better than 35% of total sales. Parts supplied to the agricultural implement industry provided 6.9% and industrial products 8.07% of 1937 sales.

To a considerable extent, therefore, the company relies upon the automobile industry and more specifically, the manufacture of new cars, to supply the major portion of its earnings. However, the same conditions which might be expected to stimulate the production and sales of new automobiles can logically be expected also to enhance the demand for the type of consumers capital goods which comprise the company's household equipment lines.

Sharing prominently in the fortunes of the automobile industry, Borg-Warner Corp. last year reported the largest earnings in its history. Net profit of $8,348,089 compared with $8,326,865 in 1936 and $7,682,590 in 1929. Applied to the 2,302,028 shares of common stock which comprise the company's entire capitalization, earnings last year were equal to $3.62 a share, comparing with $3.56 a share in the previous year. Continuing to follow the trend of the automobile industry, the company's operations in the first quarter resulted in a loss of $287,673. Earnings in the first quarter a year ago amounted to $2,171,923. If any improvement is shown in the second quarter, it is likely to be very modest, and a significant recovery in earning power will probably be deferred until the third, or possibly the fourth quarter. With the general business prospect continuing to shape up in a definitely encouraging fashion, the outlook for the automobile industry has taken a definite turn for the better. If such proves to be the case, it is certain that results will be reflected in the earnings of Borg-Warner. The company's sound financial position would permit the prompt resumption of dividends, which were omitted last April, and shares may be regarded as of the more promising in the industry.

Answers to Inquiries

(*Continued from page 531*)

National Biscuit Co.

In 1934 I purchased 200 shares of National Biscuit at 45¾ primarily for income. Since then the rate has been reduced to $1.60. Is this secure and what are the possibilities for recovering my capital loss?—G. M. H., Newark, N. J.

Raw materials constitute about 50% of total production costs for National Biscuit Co. As a result of this factor, profit margins have widened due to the lower costs of ingredients. For the six months ended June 30, 1938, profits on the common stock amounted to 76 cents per common share against only 72 cents per share in the like interval a year earlier. Estimates for the full year 1938 indicate profits equal to and probably better than the $1.62 per share recorded for the year 1937. This would enable maintenance of the $1.60 annual dividend rate. Further information regarding this will be found on page 511 of this issue. The company's profits are gleaned mainly from the higher priced or fancy line of biscuits and crackers and the decline registered in consumer purchasing power during the past years has had an adverse affect upon the sales in these lines. Nevertheless, volume in straight lines (that is, bread and popular-priced biscuits) has been maintained well, thus cushioning earnings to a large degree. In view of the moderately favorable outlook for the company, we are inclined to believe that the shares will participate in proportion with the rest of the market and are inclined to believe that the shares present the stockholder with at least fair possibilities for profits over the longer term. Retention of your holdings is believed to be the best policy.

Howe Sound Co.

In 1937 when Howe Sound was reporting record earnings and paying large dividends, I bought 150 shares at 80 as an inflation hedge. Is my stock, now selling under 50, likely to recover to my purchase price? What is its dividend outlook this year?—D. E. D., New Orleans, La.

The risk of outright confiscation by the Mexican Government of companies situated in Mexico has been diminishing but, of course, has not as yet been entirely removed. Nevertheless, the future of Howe Sound is not as speculative in this respect as it was a few months earlier. Aside from the Mexican phase, over the longer term, we can take a more optimistic attitude toward Howe Sound. Although foreign prices for copper, lead and zinc are well under the average of the first quarter of 1937 profits are still substantial enough to indicate that the 75-cent quarterly dividend rate will be maintained. For the initial six months of 1938, Howe Sound recorded profits of $1.94 per common share against the substantially larger profit of $6.45 registered in the like half of 1937. An interesting and highly important point in regard to Howe Sound is the excellent diversification which the company enjoys. It is an important producer of all five of the major non-ferrous metals which enables them to take advantage of favorable conditions in any single metal, thus offsetting less favorable conditions which might prevail in one of the other groups. It has further aided the company in compiling an enviable earnings record over a period of years. Only in one year, 1932, was a deficit incurred, and dividends have been paid in every year since 1923. The company's capital set-up is simple, there being only 473,791 shares of $5 par common stock outstanding. The company has no funded debt. Although some speculative risk is involved in the shares, we are inclined to believe that the interesting possibilities for both price appreciation and income justifies retention in longer term portfolios.

American Can Company

Is American Can on the way to regain the market leadership it once enjoyed? I have 100 shares at 125. Shall I hold or switch?—B. F., Dayton, Ohio.

American Can Co. does not publish interim reports, but it is estimated that full 1938 profits will fall somewhat below the $6.08 per common share registered for the year ended December 31, 1937. This estimate, of course, depends upon maintenance of present prices of tinplate, and a continued good demand for general line cans. Adverse weather conditions have already led to the belief that there will be a reduction in vegetable acreage this year of approximately 20%. Thus, the outlook for packer can sales volume is

BANK, INSURANCE AND INVESTMENT TRUST STOCKS

ACTIVE ISSUES
Quotations as of Recent Date

BANK & TRUST COMPANIES

	Bid	Asked
Bankers (2)	46½	48½
Bank of Manhattan (.80)	16¼	17¾
Bank of N. Y. & Trust (14)	361	369
Brooklyn Trust (4)	83	88
Central Hanover (4)	87½	90½
Chase (1.40)	31½	33½
Chemical (1.80)	40	42
Commercial National (8)	129	135
First National (100)	1690	1730
Guaranty (12)	240	245
Irving Trust (.60)	11	12
Manufacturers (2)	39	41
New York (5)	86½	89½
United States Trust (†70)	1500	1550

INSURANCE COMPANIES

	Bid	Asked
Aetna Cas. & Sur. (†4)	45½	47½
Aetna (1.60)	45¼	47¼
Aetna Life (†1.25)	25¼	26¾
Am. Surety (2.50)	45	47
Boston (†21)	603	613
Firemen's Newark (.30)	9	10
Glens Falls (1.60)	42¼	44¼
Great American (†1.20)	24¾	26¼
Hanover F. (1.60)	33½	35½
Hartford Fire (2)	75½	78½
Home (†1.60)	28¾	30¼
Ins. Co. of North America (†2.50)	62½	64
National Fire (2)	64¼	66¼
Phoenix (†2.50)	82½	86½
St. Paul F. & M. (8)	206	214
Sun Life Can (15)	490	540
Travelers (16)	466	476
United States Fire (†2)	52	54
Westchester F. (†1.60)	32¾	34¾

INVESTMENT TRUST SHARES

	Bid	Asked
Amerex Corp	19⅞	21⅝
Brit. Type Investors	.28	.43
Bullock Fund	14⅝	15⅝
Corporate Trust—AA	2.73	....
Fidelity Fund	19.31	20.80
Incorporated Investors	17.68	19.01
Maryland Fund	5.62	6.16
Mass. Invest. Trust	21.17	22.46
Nation-wide Securities B	3.26	3.36
Quarterly Income Shares	10.83	11.85
Spencer Trask Fund	15.50	16.45
Uselps Voting Shares	.91	1.00

† Includes extras.

highly uncertain. The company is in excellent condition in regard to inventories as they entered 1938 with a large supply of low-cost tinplate. Further, profits should also be made from newly-developed lines. The company has always been active in developing new products and the latest one to reach the general market is a fiber container which is used principally for the distribution of milk. Experiments are now being carried on in the company's laboratories to develop a suitable tin container for carbonated beverages which if completed, should be an important asset to future profits. The traditionally strong financial position of the company, coupled with the favorable outlook for earnings indicates to us that the shares will continue to prove profitable to the investor. In our estimation, the $4 annual dividend rate maintained by the company is adequately secure and the shares, at present levels, should provide the holder with satisfactory profits in the way of appreciation. Under these circumstances, retention of long-term holdings is counselled.

U. S. Freight Co.

What is your opinion of U. S. Freight? I have 100 shares which cost 28 and another at 18, bought in order to average down my price. Would you recommend buying more at 11, giving me an average cost of 19?—P. L. R., Brooklyn.

Throughout the last depression, U. S. Freight Co. had the record of only two unprofitable years in its business of trucking, warehousing and freight-forwarding. Despite its dependence upon shipping activity, which has been disappointing in recent years, the absence of funded debt and heavy fixed charges has permitted a moderately stable earnings record. Recent trends, however, have to a certain extent nullified this advantage, and income has shown a steady falling off since the post-depression high of $2.53 per share was reached in 1935. Profits on the 299,566 shares of common stock, the sole capitalization, amounted to $1.72 per share in 1936, with 1937 resulting in a loss of $.51 per share. The comparison in the first quarter of the current year was also unfavorable, the company reporting a loss of $165,091, against a loss of $89,108 in the first quarter of 1937. Current assets at the end of 1937, including $824,437 cash,

NEW YORK CURB EXCHANGE

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1938 Price Range High	1938 Price Range Low	Recent Price
Alum. Co. of Amer	111	58	107
Amer. Cyanamid B (.60)	26⅝	15½	24
Amer. Gas & Elec. (1.40)	31⅝	19⅛	27¾
Amer. Lt. & Tr. (†1.20)	16	10	15⅛
Amer. Superpower	1⅛	½	¾
Assoc. Gas & Elec. "A"	1⅜	⅝	⅞
Ark. Nat. Gas "A"	4⅞	2¼	3½
Carrier Corp	32	17⅝	24
Cities Service	11	7¾	9
Cities Service Pfd	47⅝	21½	40½
Colum. Oil & Gas	4⅝	2⅜	3½
Consol. Copper	6¾	3½	6¼
Consol. Gas Balt. (3.60)	74	55	74
Creole Petroleum (*.50)	27½	17½	23½
Eagle Picher Lead	13¼	7	10¾
Elec. Bond & Share	10¼	4½	8¼
Elec. Bond & Share Pfd. (6)	61¾	42	57
Ford Mot. of Can. "A" (1)	20⅛	14⅝	19⅛
Glen Alden Coal (†.25)	7	4⅝	5¾
Gulf Oil of Pa. (†.50)	46⅞	33	45⅞
Hecla Mining	10¾	6⅛	9½
Humble Oil (†.75)	72⅝	56	70¼
Imperial Oil (*.50)	19½	15	17
Iron Fireman (1.20)	19	11⅝	18¾
Jones & Laughlin	43½	21	31⅝

Name and Dividend	1938 Price Range High	1938 Price Range Low	Recent Price
Lake Shore Mines (4.00)	58½	45½	52½
Lockhead Air	14⅞	5⅝	14¼
Molybdenum	6½	3½	6
National Bellas Hess	1	⅝	⅞
New Jersey Zinc (†1.50)	72½	45½	66
Newmont Mining (†1.00)	77½	42	74⅜
Niagara Hudson Power	9¼	5⅛	8⅛
Niles-Bement-Pond (†1.00)	39⅜	24¼	38¼
No. Am. Rayon "A"	26	12½	25
Pan-Amer. Airways (†.75)	19⅝	12¼	15¼
Pentepec Oil	7⅜	3¾	4⅞
Pennroad Corp. (‡.25)	2¾	1⅝	2⅛
Pepperel Mfg.	86	54¾	75
Pitts. Pl. Glass (†8.50)	106¾	55	101½
St. Regis Paper	4⅛	2⅛	3½
Sherwin-Williams (†2.00)	115	66	109½
South Penn Oil (*1.50)	39	28¾	36½
Technicolor (†.50)	26½	14¼	24⅝
United Gas Corp	5¼	2¾	3⅞
United Lt. & Pwr. "A"	3⅜	1½	2½
United Lt. & Pwr. Cv. Pf.	28½	13½	25
Wright Hargreaves (*.40)	8⅜	6⅜	8

† Paid this year.
* Not including extras.
‡ Paid last year.

Forthcoming Dividend Meetings

Company	Time	Date
Abbott Laboratories Com. & Pfd	10:00	Aug. 18
Allied Stores 5% Pfd.*	10:00	Aug. 16
Aluminum Co. of America 6% Pfd.*	——	Aug. 26
American Home Products	11:30	Aug. 25
American Safety Razor	2:30	Aug. 23
Amer. Sugar Ref. Com. & 7% Pfd	2:30	Aug. 17
American Sumatra Tobacco	3:00	Aug. 19
American Telephone & Telegraph	12:00	Aug. 17
Armour & Co. 7% Pfd.*	11:00	Aug. 19
Beech-Nut Packing*	——	Aug. 18
Briggs & Stratton*	2:00	Aug. 22
Chesapeake & Ohio Com. & 4% Pfd.	2:30	Aug. 16
Cluett, Peabody & Co., Com. & Pfd	2:00	Aug. 18
Commercial Credit Com. & 4¼% Pfd.	11:00	Aug. 25
Commercial Inv. Tr. Com. & Conv. Pfd.	4:00	Aug. 25
Distillers Corp.-Seagrams, Ltd.*	——	Aug. 19
Ex-Cell-O Corp.*	——	Aug. 22
General Railway Signal Pfd.	11:00	Aug. 25
Gillette Safety Razor Com. & $5 Pfd.*	2:00	Aug. 25
Great Western Sugar Com. & Pfd	10:00	Aug. 24
Hamilton Watch*	1:00	Aug. 25
Hollinger Cons. Gold Mines, Ltd.*	——	Aug. 26
International Harvester	2:00	Aug. 18
International Salt	2:00	Aug. 24
Kimberly-Clark Com. & Pfd	10:00	Aug. 16
Lehn & Fink	9:30	Aug. 19
Liggett & Myers Tobacco Pfd	12:00	Aug. 24
Lone Star Cement	9:00	Aug. 17
Magma Copper*	2:00	Aug. 16
Mathieson Alkali Com. & Pfd	9:45	Aug. 24
Mesta Machine	11:00	Aug. 19
Monsanto Chemical	10:00	Aug. 17
North American Com. & 6% Pfd.*	11:00	Aug. 24
Otis Elevator Com. & 6% Pfd.*	11:30	Aug. 17
Paramount Pictures 1st & 2nd Pfds.	3:30	Aug. 25
Pittsburgh Plate Glass*	10:00	Aug. 25
Plymouth Oil*	11:00	Aug. 24
Pure Oil 6, 5½ & 5% Conv. Pfds.*	10:00	Aug. 22
Raybestos-Manhattan	12:00	Aug. 17
Republic Steel 6% Pr. Pfd. A*	——	Aug. 25
St. Joseph Lead*	11:00	Aug. 24
Shattuck (F. G.)*	11:00	Aug. 18
Shell Union Oil $5.50 Pfd	11:00	Aug. 23
Stand. Brands Com. & $4.50 Cum. Pfd.*	——	Aug. 25
Sutherland Paper*	2:00	Aug. 15
Swift & Co.*	——	Aug. 18
Texas Corp.*	10:00	Aug. 19
Tide-Water Assoc. Oil $4.50 Pfd.*	10:30	Aug. 26
Union Pacific Com. & Pfd	11:00	Aug. 25
U. S. Tob. Com. & 7% non-Cum. Pfd.	11:00	Aug. 17
Waldorf System*	1:00	Aug. 26
Waukesha Motor*	3:30	Aug. 26
Yellow Truck & Coach 7% Cum. Pfd	9:00	Aug. 17
Youngstown Sheet & Tube 5½% Pfd.*	——	Aug. 16

All meetings on common stocks unless otherwise noted.

* Approximate date.

amounted to $2,461,314, and current liabilities to $1,562,585, leaving net working capital of $898,729.

In view of the unfavorable trend during years of rising traffic such as 1936 and 1937, we would be inclined to advise against further increasing your commitment in this company. It is our belief that even if your circumstances will permit larger holdings without unbalancing your portfolio, there are more attractive issues available which will be subject to the same influences working for better earnings for U. S. Freight. Accordingly, our advice would be rather to concentrate on the problem of eventual reduction of your commitment than on its augmentation.

Interesting Newcomers on the New York Stock Exchange

(*Continued from page 529*)

and derivatives. A considerable portion of the company's output is utilized by manufacturers and processors of baking powder, flour, salt and other food products. This condition tends to impart a measure of stability to earnings. Other industrial outlets include steel, textile, fertilizer, match, petroleum, building, etc. Operations have been eminently profitable and dividends have been paid without interruption since 1926. Based on the present capitalization, which consists solely of 696,000 shares of stock, net income of $703,087 last year was equal to $1.01 per share, as compared with $810,379 or the equivalent of $1.16 a share in 1936. The downward trend in earnings which began in the last half of 1937 was continued in the first six months of the current year. In the latter period, net of $275,544 was equal to 39 cents a share for the stock, as compared with 49 cents a share in the corresponding months a year ago. Thus far this year, the company has paid dividends aggregating 35 cents a share, the most recent payment amounting to 15 cents a share. At recent levels of around 18, the shares appear worthy of consideration as a dependable income-producing medium, having moderate price appreciation possibilities.

Gaylord Container Corp.

Outstanding shares com.	539,221
Current assets 12/31/37	$4,714,207
Current liabilities 12/31/37	1,229,047
Earned per share 1937	2.76
Earned per share 1936	1.89
Dividends paid 1938	0.75
Recent quotation	15

The Gaylord Container Corp. has been in existence hardly more than a year, but the component parts of the merger which resulted in the present company were long-established in the field of solid and corrugated paper containers, wrapping and bag paper. Gaylord also manufactures and sells a number of by-products, including turpentine and liquid rosin. Demand for the company's products rests on an exceedingly broad foundation, for these days almost everything imaginable is packed in a cardboard container. The company operates a number of plants, the more important of which are located in the south close to satisfactory supplies of pulpwood.

The capitalization of the Gaylord Container Corp. is a simple one. There is no funded debt. The senior stock is a 5½% preferred of $50 par value which is outstanding in the amount of $5,000,000. The preferred is callable up to June 15, 1942, at $55 a share and thereafter at $52.50 a share. It is convertible into two shares of common. Of the latter there are at the present time 539,221 shares outstanding. Financial position is comfortable. At the end of last year cash of $2,500,000 was more than double all current liabilities.

For last year the Gaylord Container Corp. reported net income of $1,765,235. This was equivalent to $2.76 a share of common after allowing for preferred dividend requirements and compared with $1.89 a share for the previous year. The profit in the first half of 1938 was equal to 68 cents a share of common. So far this year three dividends of 25 cents each have been declared. The yield therefore at the stock's present price of $15 a share is more liberal than that generally obtained.

The Investment Clinic

(*Continued from page 519*)

There must be numerous bargains among their bonds if the trend is going to be in this direction. Will you select three or four which would be good buys on the premise that earnings are headed higher? Which issue of Southern Pacific?"

It is true that there are numerous speculative rail bonds which must be considered bargains if the picture is to improve. These issues should not, however, be confused with the true investment class, such as the Atchison general 4s, the Chesapeake & Ohio 4½s or the Union Pacific 4s. The purchaser of the more speculative grades should be aware of the degree of risk attached to them and should diversify holdings accordingly. With this

116½ Points Profit in 9 Stocks!

The Complete Record

9 Commitments with an Average Profit of Over 12 Points on Each . . .

	Points Profit
Allis Chalmers	8⅝
Aluminium	24½
Armour of Illinois pf.	13½
Caterpillar Tractor	5
General Cable pf	20
International Paper pf.	13
Monsanto Chemical	16¾
Radio cv. pf.	5⅝
U. S. Steel pf.	9½

Three of these commitments are still being carried for further price enhancement.

We always advise definitely *what* and *when to buy* and *when to sell* . . . keeping all recommendations under our continuous supervision. The above profits were arrived at by taking a weighted average for four days after our bulletins were mailed. We do not know of any service that keeps a more accurate check of prices at which commitments may be executed.

THESE profits have been available through our Longer Term Recommendations made and closed out since May 10th . . . during the past 12 weeks. They provide concrete evidence of how our clients are being guided in taking advantage of the early stages of this bull market.

You may readily follow these recommendations by mail through our 8-page edition issued every Tuesday and through special editions issued during the week. They represent excellent mediums for the employment of your surplus funds or profits derived through our three active market programs.

We usually stress the profit possibilities of these shorter term recommendations of our Trading Advices, Bargain Indicator and Unusual Opportunities . . . all of which have also shown substantial profits during this recovery period. At the beginning, you may concentrate in one or all of these programs by wire or by mail. Our primary objective, however, is to counsel you in creating a backlog of securities which will insure steady growth of your capital and income . . . providing a constant safeguard against inflation.

THE FORECAST furnishes a complete, reliable and definite security advisory service with well-balanced, scientifically-conducted programs in accordance with your personal capital, wishes and objectives. It is especially suited to the market and investment needs of 1938 and the boom years ahead.

To participate in our current recommendations and those about to be selected, we suggest that you place your enrollment immediately. They should bring you profits of many times our subscription fee.

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We serve only in an advisory capacity, handle no funds or securities and have no financial interest in any issue or brokerage house. Our sole objective is the growth of your capital and income through counsel to minimize losses and secure profits.

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THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street

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I enclose $75 to cover my six months' test subscription to The Investment and Business Forecast with service starting at once but dating from September 15, 1938. I understand that regardless of the telegrams I select, I will receive the complete service by mail. ($125 will cover an entire year's subscription.)

Send me collect telegrams on all recommendations checked below. (Wires will be sent you in our Private Code after our Code Book has had time to reach you.)

☐ **TRADING ADVICES** — Active Common Stocks for Short Term Profit. Two or three wires a month, on average. Three to five stocks carried at a time. $2,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.

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☐ **BARGAIN INDICATOR** — Dividend-paying Common Stocks for Profit and Income. One or two wires a month, on average. Three to five stocks carried at a time, $2,000 capital sufficient to buy 10 shares of all recommendations on an outright basis.

NAME .... CAPITAL OR EQUITY AVAILABLE ....

ADDRESS ....

CITY .... STATE .... Aug. 13

Include a Complete List of Your Present Holdings for Our Analysis and Recommendations

qualification, the five issues mentioned below should meet the requirements specified.

The Southern Pacific 4½s of 1969 are chosen because this issue is one of the most active and the largest of the road's obligations.

Atlantic Coast Line 4½s of 1964, currently selling around 70, yield close to 7% to maturity. Charges were covered 1.15 times in the twelve months to May, last, as compared with 1.58 times in the previous twelve months.

Illinois Central 4¾s of 1966 are selling in the low forties and provide a very generous yield. The margin of coverage for fixed charges is slim, amounting to 1.02 times in the year ended with May, against 1.13 times a year earlier.

Kansas City Southern 5s of 1950 selling at 71 yield close to 9% and earnings have shown improvement, with charge coverage figured at 1.32 times in the May year, up from 1.20 times in the previous corresponding period.

Louisiana & Arkansas 5s of 1969 at 83 yield about 8¼%, with charges covered 1.45 times in the May period, against 1.43 times.

Southern Pacific 4½s of 1969 yield approximately 9% to maturity at their current price in the low fifties, but earnings have of course shrunk considerably from a year ago. Coverage was 0.67 in the twelve months to May, as compared with 1.51 times for the same period a year ago.

Investment Trusts Are Unattractive

The subject of investment trusts as long-term holdings interests a number of readers. One writes: *"Is it not true that the individual investor can secure a degree of diversification which would otherwise be out of his reach by buying the stock of one of the larger investment trusts? With their long lists of securities representing the assets and the earning power, I should think this the ultimate in risk-spreading. Then too, the managers of the trust are supposedly giving all their time to a study of the issues they own, and they are professionals at that business. Furthermore, many of the issues I have referred to are selling at a discount from the underlying asset value. In other words, there is a chance that with the eventual disappearance of the discount these investment trust issues may show a greater degree of appreciation than the stocks they own."*

As the market tends more and more to swing in extreme cycles, with all stocks moving in line with the general trend, it becomes apparent that mere multiplicity of holdings is very little protection against the downward parts of the cycles. There was a time when developments within individual companies were more important to the stockholder than trends in the countrywide business picture; and skill in avoiding the poorly placed enterprises, together with a fairly broad ownership of the market leaders, was enough to insure success in investment. It is probable, though by no means certain, that investment trusts would have compiled a better record under such conditions.

As it is, however, the most astute managers are faced with the problem of keeping their money at work in a market which when it drops carries down practically all of their stocks, and the broader their diversification, the more certain their participation in the slump. If they could be expected to foresee the larger reactions and sell in advance of them, investment trusts would make nearly ideal holdings for the small investor, but unfortunately their record over the last decade holds out no such hope. If the management of these trusts were indeed so skillful, premiums rather than discounts would characterize the price of their stocks.

The first part of the S. E. C.'s study of investment trusts brings out the interesting point that operating expenses absorbed about 20% of the income of the trusts examined in the years 1927 to 1936. During lean years such as 1934, expenses rose to as high as 30% of income. The expenses included in the calculations do not include commissions on distribution of securities, profit-sharing agreements and other forms of compensation.

Considering the extent to which normal income is burdened with various charges, and the failure of investment trusts in general to display any ability to protect against a falling market or magnify the advantages of a rising one, there is little to be said for their stocks as permanent or semi-permanent investments. Most investors will realize better results by laying down their own individual policies and holding the selected stocks directly, even if proper diversification makes it necessary to own small quantities of each issue.

OVER - THE - COUNTER

ACTIVE ISSUES

Quotations as of Recent Date

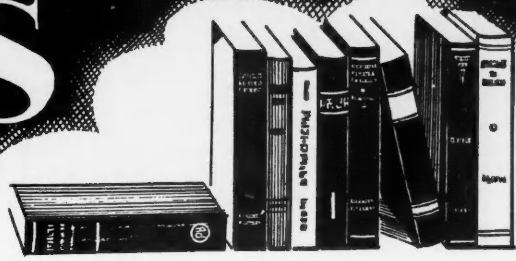
	Bid	Asked
American Hardware (1)	25¾	27½
Columbia Baking (.25)	6	8
Crowell Publishing Co. (3)	32½	34½
Dictaphone Co. (.50)	32	35½
Draper Co. (3)	60	63½
Ga:lock Packing (1)	39	41
Mercke & Co	24	26
National Casket (3)	44	47
Norwich Pharmacal (2)	36¼	39
Ohio Leather (1)	12	15
Scovil Mfg.	23¼	24¾
Singer Mfg. Co. (†10)	235	240
Trico Products (2.50)	32	34
Wilcox & Gibbs	11	14
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	64½	66
Carolina Power & Light Pfd. (7)	80½	82½
Central Maine Power Pfd. (6)	69	72
Dallas Power & Light 7% Pfd	115	....
Jersey Central Pwr. & Lt. 7% Pfd	81½	83
Kansas Gas & Electric 7% Pfd	109	111
Kings Co. Ltg. 7% Pfd	36½	39½

PUBLIC UTILITIES—(Continued)

	Bid	Asked
Long Island Ltg. Pfd. "A" (3.50)	33½	35¼
Metropolitan States Pwr. Pfd	27½	30
Nebraska Power 7% Pfd	109⅞	111⅞
New Orleans Public Serv. Pfd	79¼	80½
Nor. States Pwr. Pfd. (4.81)	53¼	55¾
Pacific Power & Light Pfd. (7)	60¼	62¾
Tennessee Elec. Power 6% Pfd	55½	57
Tennessee Elec. Power 7% Pfd	59½	61
Texas Power & Light Pfd. (7)	95¾	97¼
Utica Gas & Elec. Pfd. (7)	67	70
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (5)	96	100
Emp. & Bay State (4)	50	58
Inter Ocean (6)	60	65
Mountain States Tel. & Tel. (7)	116	120
N. Y. Mutual (1.50)	16	20
Peninsular Telephone (1.60)	24	26
Peninsular Telephone Pfd. "A" (7)	110¼	114¼
Southern New England Tel. (8)	148½	151½

† Includes extras.
* Paid in 1937.

BOOKS



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3. Investment Policies for Commercial Banks
Wilkinson, J. Harvie Jr. **$2.50**

With the growth of bank funds available for investment, sound guidance and a knowledge of investment technique is essential.

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Results of three years research by the President's committee on Price Policy. Gives habits, arrangements, and practices in seven industries.

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Macaulay, Frederick R. **$5.00**

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7. Industrial Price Policies and Economic Progress
Nourse, Edwin G. and Drury, Horace B. **$2.50**

Effects of "administered" or fixed prices on economic progress.

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The Magazine of Wall Street
90 Broad Street, New York City

Aug. 13

Enclosed is a remittance of $........ Please send me the following books I have checked:
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NAME ....

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A New Age in Agriculture

(*Continued from page 493*)

laboratories and the occasional first processing plant, as well as many other partially developed research projects.

Even the forms of farm buildings is likely to undergo a change as the new building materials and principles already being used in urban developments are adapted for farm use.. Milking parlors, air-conditioned graneries and locker cold-storage systems indicate the trend.

It is obvious that this change from hit-or-miss agriculture to the more scientific variety will mean more and more responsibility for the little farm laboratory in the shadow of the silo. The farmer cannot expect to grow the specialized crops that will be required of him without first determining the possibilities which prevail on various parts of his own acreage.

Developments are coming out of research that cause one to rub the eyes. Hundreds of synthetic materials as good or better than the natural product are now in common use, and their number is increasing daily. Most of these are developments of the organic chemical industry, and the farmer is being asked to produce the raw materials for them.

With industry already using vast amounts of agricultural products and the Farm Chemurgic idea gaining momentum, it seems obvious that the farmer of the future will become more and more important as a grower of raw materials for the manufacturer.

Science in industry, coupled with science in agriculture, will take much of the gamble from the future farm and will make it, as a place to live, the envy of every urban dweller.

Prospects Favor Sears, Roebuck

(*Continued from page 502*)

the war on chains, should it make further headway, bodes nothing favorable for any chain.

There is thus both good and bad in the outlook. The bad, meaning higher costs, the company will have to pass along to the consumer. The latter, of course, might refuse to buy, but if he went elsewhere he would find prices similarly inflated by increased costs. So, as long as he possesses any purchasing power at all, he probably will continue to deal with Sears, Roebuck.

Whether the stock of this company should be bought now above $70 a share is largely a matter of deciding if this figure discounts the possibilities. The semi-annual report which will be published shortly is sure to show that the issue is high in relation to current earning power, but if the last half of the year is to bring genuine recovery the story would be a different one. Over the longer term, certainly one may expect business improvement, coupled with higher prices, to be the controlling forces.

N. Y. S. E. — 1939 Model

(*Continued from page 497*)

clerical work of all members for reasons of economy.

Better rules on short-selling are needed. The present regulations are far from perfect and deserve immediate attention. They are not, however, likely to get it.

Revisions in the list are being made piecemeal by both the Stock Exchange and the S E C. Greater efforts might result in a more representative market, trading in all the important companies and leaving to the smaller exchanges the issues which are no longer first-rank.

As I See It!

(*Continued from page 487*)

flouting stupid and corrupt politicians and besting them.

This priceless example of hope and courage is a great contribution. After all, economic booms and depressions are only signals that men have been acting without proper judgment and common sense. Now balance is being restored. We must awake to the opportunity.

Before us lies a great rebuilding and expansion age, if we will it so. It's a struggle between reaction and recovery with the odds on the latter.

DIVIDENDS RECENTLY DECLARED

Company	Rate	Period	Stock of Record	Payable
American Tobacco	5.00	Q	8/10	9/1
American Tobacco B	5.00	Q	8/10	9/1
Associated Dry Goods 6% 1st Pfd	6.00	Q	8/12	9/1
Associated Dry Goods 7% 2nd Pfd	1.75	—	8/12	9/1
Belding Hemingway	0.12½	—	8/3	8/31
Burlington Mills	1.00	Q	8/5	8/15
Butler Bros. 5% Conv. Pfd	1.50	Q	8/11	9/1
Chain Belt	0.20	—	8/1	8/15
Chile Copper	0.50	—	8/9	8/19
Chrysler Corp	0.25	—	8/16	9/14
Columbia Pictures $2.75 Conv. Pfd	2.75	Q	8/1	8/15
General Motors	0.25	—	8/11	9/12
General Outdoor Advertising Class A	1.00	—	8/8	8/15
Grand Union $3 Pfd	0.25	—	8/10	9/1
Horn & Hardart 5% Pfd	5.00	Q	8/12	9/1
Ingersoll-Rand	1.50	—	8/8	9/1
Inland Steel	0.50	—	8/15	9/1
International Harvester 7% Pfd	7.00	Q	8/5	9/1
Kroger Grocery & Baking	1.60	Q	8/10	9/1
Life Savers Corp	1.60	Q	8/1	9/1
Life Savers Corp	0.40	Ex	8/1	9/1
Liggett & Myers	4.00	Q	8/16	9/1
Liggett & Myers B	4.00	Q	8/16	9/1
Macy (R. H.) & Co	2.00	Q	8/12	9/1
Minneapolis-Honeywell Regulator	0.25	—	8/4	8/20
National Container Corp	0.05	—	8/10	9/1
National Power & Light	0.60	Q	8/1	9/1
Parker Rust Proof	0.80	Q	8/10	9/1
Peoples Gas Light & Coke	1.00	—	8/10	9/1
United Engineering & Foundry	0.50	—	8/5	8/16
United Engineering & Foundry Pfd	7.00	Q	8/5	8/16
Wesson Oil & Snowdrift	0.12½	—	8/15	8/26
Wesson Oil & Snowdrift	0.50	Ex	8/15	8/26
Wesson Oil & Snowdrift Pfd	4.00	Q	8/15	8/26
Westinghouse Electric & Mfg	0.50	—	8/9	8/31
Westvaco Chlorine	1.00	Q	8/10	9/1
Woolworth (F. W.)	2.40	Q	8/10	9/1

Q—Quarterly. Ex—Extra.

All declarations are on common stocks unless otherwise noted.

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